Business Management Units 3 & 4

Chapter 4 — Managing employees: objectives and motivation

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Chapter 4 Managing employees: objectives and motivation — 4A The relationship between human resource management and business objectives

Theory

Human resource management (HRM) is the management of the relationship between a business and its employees — the management function responsible for the **people** a business employs. It covers everything involved in getting the best contribution from the workforce: **attracting and recruiting** the right people, **developing** them (through training and performance management), **motivating and rewarding** them, **retaining** capable employees, and managing the **end** of the employment relationship. In short, HRM is the way a business acquires, develops, motivates and maintains the human resources it needs to operate.

Employees are one of a business's key **resources** — the *human* resources — alongside natural resources (materials) and capital resources (equipment and finance). What makes them distinctive is that people are the resource that actually *does the work*: they design, produce and deliver the goods and services, serve customers, solve problems and generate the ideas that keep a business competitive. Because the workforce carries out the operations of the business, **how well employees are managed has a direct effect on how well the business performs** — and therefore on whether it achieves its objectives.

Business objectives are the goals a business intends to achieve. The study design identifies objectives such as making a **profit**, increasing **market share**, improving **efficiency**, improving **effectiveness**, fulfilling a **market need**, fulfilling a **social need**, and meeting **shareholder expectations**. Two of these are easily confused: **efficiency** is *how well a business uses its resources* — producing outputs with the fewest inputs, or at the lowest cost per unit — while **effectiveness** is *the degree to which a business achieves its stated objectives*. HRM contributes to both, but through different mechanisms.

The relationship between HRM and business objectives. The relationship runs in **two directions**, and it is **causal** — each side affects the other.

- **Objectives shape HRM.** A business first sets its objectives, then designs its people practices to support them. A business whose objective is to compete on **quality** will recruit and train for quality and reward it; a business whose objective is to **cut costs and improve efficiency** will design leaner roles and reward productivity. In this direction the objectives *drive* the HRM decisions.
- **Effective HRM helps achieve the objectives.** When employees are well recruited, well trained, motivated and retained, the workforce becomes **skilled, productive, stable and committed**, and this feeds directly into every objective:
    - **Profit** — motivated, productive employees produce more and better output at a lower cost per unit, and good service wins repeat customers, so **revenue rises and costs fall**, increasing profit.
    - **Efficiency** — skilled, motivated staff **waste fewer resources, make fewer errors and produce more output per input**, lowering the cost per unit.
    - **Effectiveness** — employees whose efforts are **aligned with the business's goals** work towards them, so the business is more likely to achieve what it set out to do.
    - **Market share** — well-trained, motivated employees deliver **better quality and service**, attracting and keeping customers and winning sales from competitors.
    - **Fulfilling a market need** — capable people **design, produce and deliver** the goods or services that satisfy the **customer demand** the business exists to serve, and do it well enough that the need is genuinely met.
    - **Fulfilling a social need** — employees are the people who actually **carry out** the practices through which a business benefits the **wider community** — sustainable production, ethical sourcing, community programs — so a well-managed workforce is what turns a social objective into an actual contribution.
    - **Meeting shareholder expectations** — the stronger overall performance a skilled, motivated workforce produces flows through to the **profits and returns shareholders expect**.

The reverse is equally true: **ineffective HRM undermines objectives.** Poorly trained, unmotivated employees who frequently leave (high **staff turnover**) or fail to show up (high **absenteeism**) produce lower-quality output, give worse service and force the business to spend repeatedly on recruiting and retraining — dragging down profit, efficiency, effectiveness and market share. This is why the effective management of employees is treated as central to achieving business objectives.

Aligning HRM with objectives. HRM adds the most value when its activities are deliberately **aligned** with — pointed in the same direction as — the business's objectives. Alignment means the *way* the business hires, trains, rewards and motivates its people is chosen to *support* what the business is trying to achieve. When HRM is aligned, every people practice reinforces the objective; when it is **misaligned** — for example, an objective of high quality but a pay system that rewards only speed — HRM can actually **work against** the objective. Aligning HRM with objectives therefore matters because employees are the resource that delivers the objectives, and their management either reinforces or undermines those goals depending on how deliberately it is directed towards them.

Keep these straight.

- **HRM is a function, not a person.** *Human resource management* is the **activity** of managing the employment relationship; a *human resource manager* is the **role/person** who carries it out. In a small business there may be no HR manager at all — the **owner** performs HRM — but the function still exists. Don't confuse the process with the job title.
- **Managing people is not managing operations. HRM** manages the **people** (attracting, developing, motivating and retaining the workforce); **operations management** manages the **production system** (transforming inputs into outputs). They are different functions that serve the *same* objectives, so an HRM question should be answered with people strategies, not operations strategies.
- **Employees are both a resource and a stakeholder.** They are the **labour resource** that produces output, but also **stakeholders** with their own interests (fair pay, security, good conditions). Effective HRM manages a two-way *relationship* so that the business's objectives *and* employees' needs are met — it is not one-way control.
- **Effective HRM contributes to, but does not guarantee, success.** People are one input among several. Good HRM makes achieving objectives **more likely**, but external factors (competitors, the economy) and the other management functions (operations, marketing, finance) also matter — so the link is a strong influence, not an automatic result.

Contemporary example — National Australia Bank, March 2026

National Australia Bank (NAB) is an ASX-listed bank providing personal, business and institutional banking services across Australia. On 26 March 2026 the Finance Sector Union (FSU) said NAB had proposed a restructure of its business banking operations involving **447 redundancies and 277 new roles in Australia** — a net reduction of about 170 Australian roles — along with 237 new roles offshore, mainly in India and Vietnam. NAB presented the proposal as part of building a modern workforce and said it would continue recruiting in Australia, particularly for customer-facing roles. The FSU objected that the plan moved skilled work to lower-cost markets overseas.

The proposal shows the relationship between **HRM and business objectives** running in the direction where **objectives shape HRM**: a strategy directed at **improving efficiency** and lowering the cost of serving business customers is converted into people decisions — **managing the end** of 447 employment relationships and **attracting and recruiting** into 277 redesigned ones — so that the workforce is **aligned** with what the business is trying to achieve. It also shows why that link is a **strong influence rather than an automatic result**: the same decision removes experienced employees, so if **retention** of skill falls and service quality drops, **effectiveness** and market share could suffer even as costs fall. The union's response is a reminder that employees are both a **resource** and a **stakeholder**.

Source: Retail Banker International, "NAB restructuring to cut 170 jobs, says Finance Union", 26 March 2026 — https://www.retailbankerinternational.com/news/nab-cut-170-jobs/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Analyse how effective human resource management could help a manufacturing business achieve its objective of improving efficiency.

Working	Comment
Efficiency = producing outputs using the fewest resources, or at the lowest cost per unit; **HRM** manages how employees are recruited, trained, motivated and retained.	Define the objective and the function so the link can be built.
Effective HRM produces a workforce that is **skilled and motivated**, and skilled, motivated employees **make fewer errors, waste fewer materials and work more productively**.	Analyse = show the cause-and-effect chain, not a list of pros and cons.
Fewer errors and less waste → **more output from the same inputs → lower cost per unit** → improved efficiency.	Follow the chain right through to the objective.
∴ effective HRM improves efficiency by developing and motivating employees who use the business's resources more productively.	State the conclusion, linking HRM back to the objective.

Example 2 — scaffolded

Coral Coast Resort has seen its guest-satisfaction scores fall. Staff are poorly trained and many leave within months, so shifts are often run by inexperienced employees. Explain how the resort's human resource management is affecting its ability to achieve its business objectives.

Working	Comment
Identify the HRM problems in the scenario: **poor training** and **high staff turnover** (employees leaving quickly).	Read the case for the specific HRM weaknesses.
Poorly trained, constantly changing staff give **slower, lower-quality service**, which is why **guest-satisfaction scores are falling**.	Link the HRM weakness to its effect on performance, using the case facts.
Dissatisfied guests are **less likely to return or recommend the resort** (threatening its **market-share and profit** objectives), and the resort must keep spending to **recruit and retrain** (raising costs).	Trace the effect through to specific business objectives.

Example 3 — unscaffolded

Distinguish between human resource management and operations management.

Human resource management is the management of a business's **people** — the function responsible for **attracting, developing, motivating, rewarding and retaining employees** and managing the employment relationship. **Operations management**, by contrast, is the management of the **production system** — the processes that transform **inputs (materials, labour, equipment) into finished outputs** (the goods or services). The two therefore differ in **what they manage**: HRM manages the *human resources* (the workforce), whereas operations management manages the *transformation process* that turns resources into outputs. They are complementary functions directed at the **same business objectives**, but a manager improving HRM works on *people* (for example, by developing and motivating staff), while a manager improving operations works on the *production process*. ∴ HRM and operations management are distinct functions, defined by whether they manage the business's people or its production system.

Example 4 — unscaffolded

Evaluate the view that effective human resource management is essential to achieving business objectives.

There is strong support for the view. Employees are the resource that **carries out the work** of a business — they produce the goods and services, serve customers and generate ideas — so managing them effectively (recruiting the right people, then training, motivating and retaining them) produces a **skilled, productive and committed workforce** that directly drives **profit, efficiency, effectiveness and market share**. Poor HRM, by contrast, produces high turnover, absenteeism and low-quality work that undermines those same objectives, which suggests HRM is indeed essential. **However**, the claim can be **overstated**: a business's success also depends on factors outside HRM — the quality of its **operations, marketing, finances and strategy**, as well as **external conditions** such as competitors and the economy — so even excellent HRM cannot guarantee objectives are met if these are weak. HRM is best understood as a **necessary but not sufficient** contributor: it makes achieving objectives far more likely without being the only factor. ∴ effective HRM is essential in the sense that objectives are very difficult to achieve without it, but it must work alongside the other management functions rather than being treated as sufficient on its own.

Practice questions

Scaffolded

Q1. Define the term *human resource management*.

Q2. List **four** activities involved in the human resource management function.

Q3. Identify the business objective being described: (a) producing outputs using the fewest resources, or at the lowest cost per unit; (b) the degree to which a business achieves its stated goals; (c) a business's share of the total sales in its market.

Q4. For each of the following, state whether it is a task of **human resource management** or **operations management**: (a) motivating and retaining skilled employees; (b) transforming inputs into finished outputs; (c) recruiting and training new staff.

Q5. Since **Loft & Larder**, a homewares store, began training and rewarding its salespeople well, service has improved and more customers return. (a) Identify **one** business objective that effective HRM is helping the store to achieve. (b) Explain how effective HRM is contributing to that objective.

Q6. Explain the difference between *human resource management* and a *human resource manager*.

Unscaffolded

Q7. Describe the role of human resource management within a business. *(2 marks)*

Q8. Distinguish between managing a business's human resources and managing its operations. *(4 marks)*

Q9. Explain how effective human resource management can help a business improve its **effectiveness**. *(3 marks)*

Q10. Explain how effective human resource management can contribute to a business increasing its **market share**. *(4 marks)*

Q11. Analyse the relationship between the way a business manages its employees and its ability to **make a profit**. *(4 marks)*

Q12. Discuss the benefits and drawbacks, for a business, of investing heavily in its human resource management function. *(6 marks)*

Q13. Explain what it means to **align** human resource management with a business's objectives, and why doing so matters. *(4 marks)*

Q14. Compare how effective human resource management contributes to the objectives of **improving efficiency** and **improving effectiveness**. *(6 marks)*

Q15. *Case study.* **Solaris Fitness** operates a chain of suburban gyms. To keep wage costs down, the owner hires casual instructors on low pay, gives them little training and rarely acknowledges good work. Instructors frequently quit within a few months, classes are often taken by inexperienced staff, and online reviews increasingly complain about poor instruction. Solaris Fitness's market share has fallen over the past year, and the owner now wants to expand into two new suburbs. (a) Identify **one** business objective that Solaris Fitness is currently failing to achieve. *(1 mark)* (b) Analyse **one** way the gym's current management of its employees is harming the achievement of a business objective. *(3 marks)* (c) Propose **one** improvement to the way Solaris Fitness manages its employees, and justify how it would help the business achieve its objectives. *(4 marks)*

Q16. Analyse the relationship between the **retention of skilled employees** and a business's ability to achieve its objectives. *(4 marks)*

Q17. Evaluate the view that a business's **employees are its most important resource** for achieving its objectives. *(6 marks)*

Q18. Justify the importance of effective human resource management to the achievement of business objectives. *(4 marks)*

Q19. *Extended response.* **Brightline Logistics** is a parcel-delivery company whose managers want to improve profit, efficiency and customer satisfaction. Analyse the relationship between the way Brightline manages its employees — its human resource management — and the achievement of these business objectives. *(10 marks)*

Q20. *Contemporary example.* In March 2026, the Finance Sector Union stated that **National Australia Bank** had proposed a restructure of its business banking operations involving 447 redundancies and 277 new roles in Australia. Analyse the relationship between a workforce decision of this kind and a business's ability to achieve its objectives. *(5 marks)*

Answers

Q1. The management of the relationship between a business and its employees — the function responsible for attracting, developing, motivating, rewarding and retaining the people a business employs. **Q2.** Any four: attracting/recruiting employees; developing/training employees; motivating employees; rewarding employees; retaining employees; managing termination (the end of employment). **Q3.** (a) improving efficiency; (b) improving effectiveness; (c) increasing market share. **Q4.** (a) human resource management; (b) operations management; (c) human resource management. **Q5.** (a) e.g. increasing market share / making a profit / improving effectiveness. (b) Well-trained, rewarded staff give better service, so customers return and spend more, helping achieve that objective. **Q6.** Human resource management is the *function/activity* of managing employees; a human resource manager is the *person/role* who performs it (in a small business the owner may perform HRM with no HR manager). **Q7.** Model response in solutions. **Q8.** HRM manages the people (recruiting, training, motivating, retaining); operations management manages the production process (inputs → outputs). See solutions. **Q9.** Trained, motivated staff direct their effort towards the business's goals, so more objectives are achieved (effectiveness). See solutions. **Q10.** Well-trained, motivated staff deliver better quality/service → attract and keep customers → win sales from competitors → higher market share. See solutions. **Q11.** Effective HRM → productive, motivated staff → more/better output at lower cost + repeat sales → higher revenue and lower costs → more profit. See solutions. **Q12.** Benefits (skilled, motivated, stable workforce → better performance, lower turnover cost) vs drawbacks (costly, time-consuming, no guaranteed return). See solutions. **Q13.** Alignment = deliberately shaping HR practices to support the objectives; it matters because HRM either reinforces or undermines the objectives. See solutions. **Q14.** Similarity: both rely on a skilled, motivated workforce; difference: efficiency via lower resource use / cost per unit, effectiveness via directing effort to goals. See solutions. **Q15.** (a) e.g. increasing market share (also accept profit / effectiveness). (b) High turnover + poor training → inexperienced instructors → poor service → lost members → falling market share. (c) e.g. invest in training, recognition/reward and better pay → lower turnover, better service → retain members and support expansion. See solutions. **Q16.** Retaining skilled staff preserves experience and productivity and avoids recruitment/retraining costs, helping achieve objectives; poor retention does the reverse. See solutions. **Q17.** Two-sided: employees carry out the work and use every other resource (strong support), but capital, operations and external factors also matter → qualified judgement. See solutions. **Q18.** Objectives are delivered by people, so without effective HRM the workforce is less skilled/motivated/stable and objectives are far harder to achieve. See solutions. **Q19.** Model response in solutions. **Q20.** Two-directional: the objective (efficiency / lower cost) shapes the HRM decision (redundancies plus recruitment into redesigned roles), and the HRM decision then affects the objectives — lower wage costs and cost per unit, but risk to experience, retention, service quality and therefore effectiveness and market share; a strong influence, not a guaranteed result. See solutions.

Fully-worked solutions

Q7. Human resource management is the business function responsible for **managing the people a business employs**. Its role is to **attract and recruit** suitable employees, **develop** them through training, **motivate and reward** them, and **retain** capable staff (as well as managing the end of the employment relationship), so that the workforce makes the best possible contribution to achieving the business's objectives.

Q8. Human resource management is the management of a business's **people** — recruiting, training, motivating, rewarding and retaining employees and managing the employment relationship. **Operations management** is the management of the **production system** — the processes that transform **inputs (materials, labour, equipment) into outputs** (finished goods or services). The two therefore differ in **what they manage**: HRM manages the *human resources*, whereas operations management manages the *transformation process*. Although both are directed at the same business objectives, a manager working on HRM acts on *people* (for example, developing and motivating staff), while a manager working on operations acts on the *production process*.

Q9. Effectiveness is the **degree to which a business achieves its stated objectives**. Effective HRM improves effectiveness because, by recruiting suitable people and **training and motivating** them, it produces a workforce whose efforts are **directed towards the business's goals**. When employees understand what the business is trying to achieve and are motivated to pursue it, more of the business's objectives are actually met — for example, targets for output, quality or customer service are reached — which is precisely what improved effectiveness means.

Q10. Market share is a business's proportion of the total sales in its market, so increasing it means winning customers from competitors. Effective HRM contributes to this by producing **skilled and motivated employees** who deliver **higher-quality goods and better customer service**. Customers who receive better quality and service are more likely to **return and to recommend the business**, and are drawn away from rivals, so the business's sales grow relative to its competitors. In this way, managing employees well — through training, motivation and retention — feeds through to a larger share of the market.

Q11. There is a **causal relationship** between how a business manages its employees and its ability to make a profit. When a business manages its people effectively — recruiting capable staff and **training, motivating and retaining** them — it produces a workforce that is **more productive and makes fewer errors**, so the business generates **more and better output from the same resources**, lowering its **cost per unit**. At the same time, motivated staff who provide **good service** encourage **repeat custom and higher sales**, raising **revenue**. Because profit is the gap between revenue and costs, effective employee management pushes revenue up and costs down, **increasing profit**. The relationship also runs the other way: **ineffective** management of employees causes high turnover, absenteeism and poor-quality work, which **raises costs and reduces sales**, cutting profit. Managing employees well is therefore directly linked, through productivity, quality and service, to the business's profitability.

Q12. *Benefits.* Investing heavily in HRM — for example, in careful recruitment, thorough training, and reward and retention practices — tends to produce a **skilled, motivated and stable workforce**. Such a workforce is **more productive**, produces **higher-quality goods and services**, provides **better customer service** and is **less likely to leave or be absent**, all of which help the business achieve objectives such as profit, efficiency, effectiveness and market share, and reduce the ongoing cost of recruiting and retraining. *Drawbacks.* Heavy investment in HRM is itself **costly and time-consuming**: training programs, higher pay, reward schemes and careful recruitment all require money and management time that **reduce short-term profit**. The **return is not guaranteed** — trained employees may leave and take their skills elsewhere, and even a well-managed workforce cannot secure objectives if the business's operations, marketing or strategy are weak or external conditions are poor. Overall, then, investing in HRM offers substantial benefits to a business's performance but carries real costs and uncertainty, so a business must weigh how much to invest against its objectives and circumstances.

Q13. To **align** human resource management with a business's objectives means to deliberately **shape the way employees are recruited, trained, rewarded and motivated so that these practices support what the business is trying to achieve**. For example, a business whose objective is to compete on **quality** would recruit and train for quality and reward it, so its people practices point in the same direction as its goal. Alignment matters because **employees are the resource that actually delivers the objectives**: when HRM is aligned, every people practice **reinforces** the objective and makes it more likely to be achieved; when HRM is **misaligned** — for instance, an objective of high quality but a pay system that rewards only speed — the way employees are managed can actually **work against** the objective. Aligning HRM with objectives therefore ensures the workforce is pulling towards, rather than away from, the business's goals.

Q14. *A similarity* is that both objectives rest on the **same foundation** — effective HRM that produces a **skilled and motivated workforce** — so training, motivation and retention help a business become both more efficient and more effective, and in both cases employees are the resource through which the improvement is achieved. *The differences* lie in *how* HRM contributes to each. **Efficiency** is about **how well resources are used** (output per input, or cost per unit), so HRM improves efficiency chiefly by developing and motivating employees who **work productively, waste fewer resources and make fewer errors**, lowering the cost per unit. **Effectiveness** is about **the degree to which objectives are achieved**, so HRM improves effectiveness chiefly by **directing employees' efforts towards the business's goals** — ensuring the right people are focused on the right objectives so that more of them are met. In short, both rely on well-managed people, but HRM raises efficiency by making employees more **resource-productive** and raises effectiveness by making their efforts more **goal-directed**.

Q15. (a) **Increasing market share** (its market share has fallen over the past year). *(Also accept making a profit or improving effectiveness, if justified from the case.)* (b) The gym's **high staff turnover and lack of training** mean classes are often run by **inexperienced instructors**, producing **poor-quality instruction**. This poor service is what the **negative online reviews** describe, and it drives members to competitors — which is why **Solaris Fitness's market share has fallen**. Because the way the owner manages the instructors (low pay, little training, no recognition) creates the poor service that loses customers, the gym's HRM is directly harming its ability to achieve its market-share objective. (c) Solaris Fitness should **invest in training its instructors, introduce recognition or reward for good**

work, and improve pay so that good instructors stay. This would **reduce turnover** so that experienced, skilled instructors run the classes, **improving the quality of instruction and member satisfaction**. Better classes would attract and **retain members**, helping to **recover and grow market share**, and a more stable, capable workforce would give the owner the reliable staff needed to **expand successfully into the two new suburbs**. Because the business's poor performance stems from how it manages its people, improving its HRM directly addresses the cause and supports its objectives.

Q16. Retaining skilled employees has a **direct, causal effect** on a business's ability to achieve its objectives. Skilled employees who **stay** accumulate **experience and product knowledge**, so they work **more productively, make fewer errors and provide better service** than a constantly changing workforce — supporting objectives such as **efficiency, effectiveness and market share**. Retention also **avoids the repeated costs** of recruiting and training replacements and the **loss of productivity** while new staff learn the job, which protects **profit**. Conversely, **high turnover** (poor retention) drains experience, raises costs and disrupts service, undermining those same objectives. The ability to retain skilled people is therefore strongly linked, through both productivity and cost, to the achievement of business objectives.

Q17. There is strong support for the view. Employees are the resource that **actually carries out the work** of a business — they operate the equipment, produce the goods and services, serve customers and generate the ideas that keep a business competitive — so without a **skilled and motivated workforce** the business's other resources cannot be turned into results, and objectives such as profit, efficiency, effectiveness and market share are very hard to achieve. This suggests people are indeed critical. **However**, calling them the *most* important resource can be **overstated**: a business also depends on its **capital resources** (equipment, technology and finance) and **natural resources** (materials), and on its **operations, marketing and strategy** and **external conditions**; in a highly automated business, for instance, capital may matter as much as labour. **On balance**, employees are a **decisive** resource because they are the ones who use all the others and directly determine quality, productivity and service — so the view is largely justified — but they are most accurately described as the most important resource **working alongside**, not instead of, the business's other resources, since objectives are achieved when people and the other resources are managed well together.

Q18. Effective human resource management is important to achieving business objectives because **objectives are ultimately delivered by people**. A business's goals — such as profit, efficiency, effectiveness and market share — are achieved only when employees **produce the output, control costs and serve customers well**, and the quality of that work depends on how the employees are **recruited, trained, motivated and retained**. When HRM is effective, the business has a **skilled, motivated and stable workforce** that raises productivity and quality and lowers turnover and error, making objectives **far more likely** to be achieved. When HRM is neglected, the same workforce becomes **poorly skilled, unmotivated and unstable**, driving up costs and driving down quality and sales, so objectives become very difficult to reach. Because the workforce is the means through which every objective is pursued, managing it effectively is essential rather than optional — which is why effective HRM is so important to business performance.

Q19. *Model response (10 marks).* Human resource management is the function through which a business manages its **people** — attracting, training, motivating, rewarding and retaining employees — and at **Brightline Logistics** the way these employees (drivers, warehouse staff and schedulers) are managed is **directly and causally linked** to its objectives of **profit, efficiency and customer satisfaction**.

Consider **efficiency** first. Brightline's efficiency depends on completing as many deliveries as possible using the fewest resources — vehicles, fuel and labour hours. If Brightline **recruits capable drivers and trains them well** in routing and careful handling, and **motivates** them to work productively, they will complete **more deliveries per shift with fewer errors, less wasted fuel and fewer damaged parcels**, lowering the **cost per delivery**. Effective HRM therefore raises efficiency by making employees more **resource-productive**. Poorly managed, untrained or unmotivated drivers would do the opposite — slower routes, more damage and re-deliveries — raising costs and reducing efficiency.

Customer satisfaction is affected just as directly. Deliveries are the point where Brightline's staff meet its customers, so the **skill, motivation and reliability** of its drivers and schedulers determine whether parcels arrive **on time, undamaged and with courteous service**. Well-trained, motivated and **retained** staff provide the consistent, reliable service that satisfies customers; **high staff turnover** — a sign of poor HRM — would keep putting inexperienced drivers on the road, causing late or mishandled deliveries and dissatisfied customers.

These two objectives feed into **profit**, which is the gap between revenue and costs. Effective HRM **lowers Brightline's costs** (through higher productivity, fewer errors and less turnover) and **raises its revenue** (satisfied customers bring repeat business and win Brightline sales from competitors), so profit rises. The relationship is also **two-directional**: Brightline's objectives should **shape** its HRM in return — because it competes on reliable, efficient delivery, it should recruit, train and reward its staff specifically for productivity and careful service, so that its people practices are **aligned** with the objectives they are meant to deliver.

It is important to note that HRM is **necessary but not sufficient**: Brightline's results also depend on its **operations, its vehicles and technology, and external conditions** such as fuel prices and competitors, so even excellent HRM cannot guarantee the objectives on its own. Nevertheless, because Brightline's employees are the resource that **actually carries out every delivery**, the way it manages them is a **primary determinant** of whether it achieves its efficiency, customer-satisfaction and profit objectives. *(Full marks require: an accurate account of HRM; genuine causal analysis linking employee management to at least two or three business objectives, rather than a list of advantages and disadvantages; sustained application to Brightline Logistics; and recognition that the relationship is two-way, with HRM one important contributor among several.)*

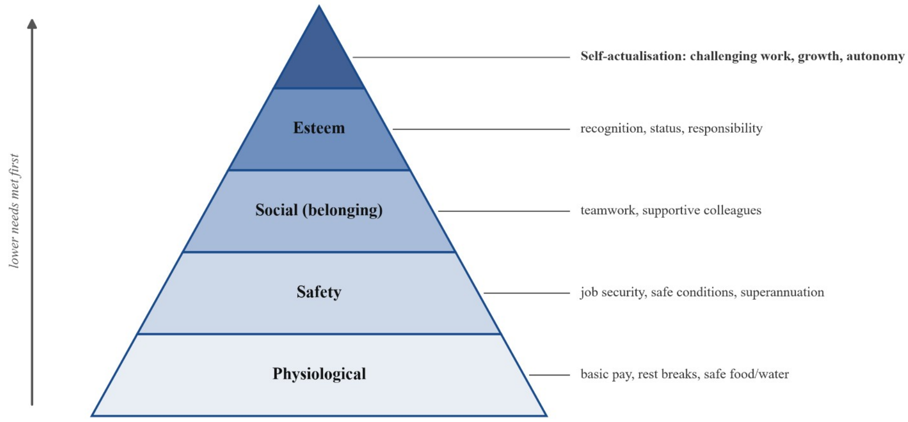
Q20. A restructure of this kind shows the **two-directional** relationship between **human resource management and business objectives**. In the first direction, the **objectives shape the HRM decision**: a business pursuing **improved efficiency** — a lower cost of serving its customers — redesigns the work and then makes the matching people decisions, in NAB's case **ending** 447 roles while **recruiting** into 277 new ones, so that the size and shape of the workforce is **aligned** with the objective it is meant to deliver. In the second direction, the **HRM decision then affects the objectives**. Removing roles reduces wage costs and, if the redesigned roles produce the same output with fewer inputs, lowers the **cost per unit**, supporting **efficiency** and **profit**. However, the same decision removes **experienced employees**, and a business that loses skill and unsettles the staff who remain may face higher **staff turnover**, slower work and **poorer service** — which would damage **effectiveness**, customer satisfaction and **market share**, the very objectives the restructure was meant to serve. The outcome therefore depends on how well the change is managed: whether the remaining employees are trained and motivated for the redesigned roles determines whether the cost saving translates into better performance. This is why the relationship between HRM and objectives is a **strong influence rather than a guaranteed result** — and why the union's response matters, since employees are both the **resource** that delivers the objectives and a **stakeholder** whose interests the business must manage.

Chapter 4 Managing employees: objectives and motivation — 4B Theories of motivation

Theory

Motivation is the internal drive that directs the amount of effort, persistence and enthusiasm an employee puts into their work. A motivated workforce is generally more productive, produces higher quality work and is less likely to be absent or to leave, all of which help a business achieve its objectives. **Theories of motivation** attempt to explain *what* drives employees so that managers can design conditions — rewards, goals and job structures — that raise motivation. The study design prescribes three theories: **Maslow's Hierarchy of Needs**, **Locke and Latham's Goal Setting Theory** and **Lawrence and Nohria's Four Drive Theory**.

Maslow's Hierarchy of Needs. Abraham Maslow proposed that human needs are arranged in five levels, usually drawn as a pyramid. People are motivated to satisfy needs from the **bottom up**: only once a lower-level need is *substantially* satisfied does it stop motivating behaviour and the next level up become the motivator.



- **Physiological** — the basic needs for survival (food, water, rest). At work these are met by adequate **pay**, rest breaks and safe basic conditions.
- **Safety** — the need for security and stability, met by **job security**, safe working conditions and superannuation.
- **Social (belonging)** — the need for relationships and acceptance, met by **teamwork**, supportive colleagues and a friendly workplace.
- **Esteem** — the need for **recognition, status and respect**, met by praise, promotions, responsibility and job titles.
- **Self-actualisation** — the need to reach one's full potential, met by **challenging work, growth opportunities and autonomy**. This need is never fully satisfied.

To apply Maslow, a manager identifies the level an employee is currently focused on and offers a reward that meets the **next unmet need**. Maslow is a useful guide, but it is a **simplification**: in reality needs overlap, individuals differ, and people do not always move up one level at a time.

Locke and Latham's Goal Setting Theory. Edwin Locke and Gary Latham argued that motivation and performance rise when employees work towards **clear, challenging goals** supported by feedback. Effective goals follow five principles:

- **Clarity** — goals are **specific and measurable**, so employees know exactly what is expected (e.g. "process 40 orders per shift", not "work harder").
- **Challenge** — goals are **demanding enough to be motivating** but still attainable; goals that are too easy or impossible both reduce effort.
- **Commitment** — employees must **accept and be committed** to the goal; involving them in setting it increases buy-in.

- **Feedback** — employees receive **regular feedback** on their progress so they can adjust their effort and stay on track.
- **Task complexity** — for complex tasks, employees must be given **enough time and resources** and not be overwhelmed, so the goal remains achievable.

Lawrence and Nohria's Four Drive Theory. Paul Lawrence and Nitin Nohria proposed that employees are motivated by four underlying **drives**, and that motivation is maximised when a business addresses **all four together** (unlike Maslow, they are *not* a hierarchy):

- **Drive to Acquire** — to obtain scarce goods and status, including pay, bonuses and promotions.
- **Drive to Bond** — to form relationships and feel part of a group, met through teamwork and a positive culture.
- **Drive to Comprehend (learn)** — to be challenged, grow and make sense of the world, met through meaningful work, variety and training.
- **Drive to Defend** — to protect oneself, one's work and one's beliefs, and to be treated fairly, met through job security, transparency and fair processes.

Key ideas to keep straight.

- **Maslow is a hierarchy; the Four Drive Theory is not.** Maslow's needs are satisfied in order from the bottom up, whereas the four drives operate at the same time and should all be addressed together.
- **Goal Setting Theory is more than "set goals".** Its power comes from the combination of clarity, challenge, commitment, feedback and appropriate task complexity — feedback in particular is essential.
- **Theories explain motivation; they are not the strategies themselves.** A theory (e.g. Maslow) is a framework for *understanding* motivation; a motivation *strategy* (e.g. performance-related pay) is a specific action a manager takes — covered separately.
- No theory is complete: each captures part of what motivates people, and managers often draw on more than one.

Contemporary example — Macquarie Group, May 2025

Macquarie Group is an Australian financial services group, listed on the ASX, with banking, asset management and advisory businesses in Australia and overseas.

On **9 May 2025** Macquarie released its annual report for the year ended 31 March 2025, including the **2025 Remuneration Report**. That report sets out how **profit share** — performance-based pay for which all permanent employees were eligible — is decided. An individual's allocation reflects their assessed performance against four stated factors: **financial and business results**, **risk management and compliance**, **business leadership** including outcomes for customers and the community, and **people leadership and professional conduct**. Business-group and company-wide pools are built up from those individual assessments, and the Board keeps discretion to reduce a pool for risk and conduct matters. The report states that a large proportion of senior executives' profit share is **retained and deferred** over three to five years, and that the Board reduced profit share for the senior executives concerned after taking into account regulatory matters arising during the year.

Macquarie describes this as a profit share system, not a motivation theory; reading it through **Locke and Latham's Goal Setting Theory** is this workbook's analysis. On that reading, the four factors give employees **clarity** about what is measured, the assessment against them supplies **feedback** that lets effort be adjusted, and attaching pay to the result supports **commitment** to those goals.

Source: Macquarie Group, "2025 Remuneration Report", in the Macquarie Group 2025 Annual Report, 9 May 2025 — https://www.macquarie.com/assets/macq/investor/reports/2025/report-assets/sections/macquarie-group-fy25-remuneration-report.pdf. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

At **Harbourline Logistics**, a warehouse worker named Dana has secure, well-paid work and gets on well with her team, but has recently said she feels “invisible” and that her effort is never noticed. Using Maslow’s Hierarchy of Needs, identify the level Dana is focused on and recommend how her manager could motivate her.

Working	Comment
Dana’s pay and job security (physiological, safety) and good team relationships (social) are already met.	Work up the hierarchy to find the lowest *unmet* need.
Feeling “invisible” and unnoticed points to an unmet **esteem** need — recognition and respect.	Match the described feeling to a level.
The manager should meet the next need by offering **recognition** — e.g. praise, an “employee of the month” acknowledgement, or added responsibility.	Choose a reward that targets the identified level.
∴ Dana is focused on **esteem**, and recognition is the appropriate motivator.	State the conclusion.

Example 2 — scaffolded

BrightPath Tutoring wants to lift the number of student sessions each tutor completes. The manager tells tutors only to “do your best”. Using Locke and Latham’s Goal Setting Theory, explain two changes the manager should make.

Working	Comment
“Do your best” fails **clarity** — it is vague and not measurable.	Test the current approach against the five principles.
Set a **specific, measurable goal**, e.g. “complete 25 tutoring sessions per week”.	Apply the clarity principle.
Add **regular feedback** — a weekly progress update against the target.	Apply the feedback principle, which drives adjustment.
Ensure the goal is **challenging but attainable** and that tutors are **committed** to it.	Reference the challenge and commitment principles.

Example 3 — unscaffolded

Explain how a manager could use Lawrence and Nohria’s Four Drive Theory to motivate employees.

A manager can raise motivation by addressing **all four drives** at once. The **drive to acquire** can be met with competitive pay, bonuses or promotion opportunities that reward strong performance. The **drive to bond** can be met by building a collaborative culture — team projects, social events and inclusive communication — so employees feel they belong. The **drive to comprehend** can be met by providing challenging, meaningful work, variety and training so employees keep learning and growing. The **drive to defend** can be met by offering job security, treating employees fairly and being transparent about decisions, so they feel safe. Because the theory holds that the drives operate together, the manager should not rely on one alone — for example, high pay will not fully motivate employees who feel excluded or insecure. ∴ addressing all four drives simultaneously produces the strongest motivation.

Example 4 — unscaffolded

Compare Maslow’s Hierarchy of Needs with Lawrence and Nohria’s Four Drive Theory.

Both theories are **content theories** that explain motivation in terms of **underlying human needs or drives**, and both imply that a manager motivates employees by satisfying those needs through appropriate rewards and conditions. However, they differ in **structure**: Maslow arranges needs in a **fixed hierarchy** that must be satisfied **from the bottom up**, one level becoming the motivator only once the level below is met, whereas the Four Drive Theory treats its four drives as operating **simultaneously**, with no set order, so all should be addressed **at the same time**. They also differ in the number of categories (five needs versus four drives) and in emphasis — the Four Drive Theory gives explicit weight to the social “drive to bond” and to fairness and security in the “drive to defend”. ∴ the theories share a needs-based view of motivation but differ in whether needs are met sequentially or together.

Practice questions

Scaffolded

Q1. List the five levels of Maslow’s Hierarchy of Needs, in order from lowest to highest.

Q2. Name the five principles of Locke and Latham’s Goal Setting Theory.

Q3. Name the four drives in Lawrence and Nohria’s Four Drive Theory.

Q4. For each of the following workplace rewards, state which level of Maslow’s hierarchy it mainly meets: (a) a pay rise to the minimum living wage; (b) a promotion to team leader; (c) a staff social club.

Q5. A manager sets the goal “improve customer service”. (a) Identify the goal-setting principle this goal fails. (b) Rewrite the goal so that it satisfies that principle.

Q6. Explain why Lawrence and Nohria argue that a manager should address all four drives rather than just one.

Unscaffolded

Q7. Define the term *motivation*. *(2 marks)*

Q8. Describe the self-actualisation level of Maslow’s Hierarchy of Needs and give one workplace example. *(3 marks)*

Q9. Explain how the **feedback** principle of Goal Setting Theory can improve employee performance. *(3 marks)*

Q10. Distinguish between the drive to acquire and the drive to defend in the Four Drive Theory. *(4 marks)*

Q11. Explain how a manager could apply Maslow’s Hierarchy of Needs to motivate an employee whose pay and job security are already met. *(4 marks)*

Q12. Fernwood Aged Care is losing experienced nurses who say the work has become “repetitive” and offers “no room to grow”, even though pay is competitive. Using **one** theory of motivation, analyse why the nurses may be losing motivation and propose a strategy to address it. *(6 marks)*

Q13. Compare Maslow’s Hierarchy of Needs with Locke and Latham’s Goal Setting Theory. *(4 marks)*

Q14. Explain why Maslow’s Hierarchy of Needs is described as a simplification of employee motivation. *(3 marks)*

Q15. A manager claims, “Setting difficult goals will always motivate my team.” Discuss this claim with reference to Goal Setting Theory. *(4 marks)*

Q16. Analyse the relationship between meeting employees’ needs and the achievement of business objectives. *(4 marks)*

Q17. *Case study.* **Vireo Software** employs 60 developers. Managers set no clear targets, rarely give feedback, and decisions are made secretly with little explanation. Talented staff are leaving, and those who remain say they feel unappreciated and insecure. (a) Identify **one** theory of motivation relevant to Vireo’s situation. *(1 mark)* (b) Explain **two** problems at Vireo using the theory you identified. *(4 marks)* (c) Propose **one** change Vireo could make, and justify how it would improve motivation. *(3 marks)*

Q18. Explain **one** similarity and **one** difference between the Four Drive Theory and Maslow’s Hierarchy of Needs. *(4 marks)*

Q19. *Extended response.* Businesses use theories of motivation to guide how they manage employees. Compare **two** of the three prescribed theories of motivation, and evaluate how useful theories of motivation are as tools for managers. *(10 marks)*

Q20. In May 2025 Macquarie Group's remuneration report set out a profit share system in which an individual's allocation reflects their assessed performance against four stated factors — financial and business results, risk management and compliance, business leadership, and people leadership and professional conduct — with the Board able to reduce profit share for risk and conduct outcomes. Analyse this system using **Locke and Latham's Goal Setting Theory**. *(5 marks)*

Answers

Q1. Physiological, safety, social (belonging), esteem, self-actualisation. **Q2.** Clarity, challenge, commitment, feedback, task complexity. **Q3.** Acquire, bond, comprehend (learn), defend. **Q4.** (a) physiological; (b) esteem; (c) social (belonging). **Q5.** (a) Clarity (it is vague/not measurable). (b) e.g. “raise the customer satisfaction score from 80% to 90% within six months”. **Q6.** Because the drives operate together, so satisfying only one (e.g. pay) leaves others unmet and motivation incomplete; addressing all four maximises motivation. **Q7.** Model response in solutions. **Q8.** The need to reach one’s full potential, met by challenging work/growth/autonomy; e.g. leading a new project. **Q9.** Feedback lets employees see progress and adjust effort, keeping them on track and motivated. See solutions. **Q10.** Acquire = obtaining pay/status/promotions; defend = feeling secure and fairly treated. See solutions. **Q11.** Move up the hierarchy — meet social, esteem or self-actualisation needs (teamwork, recognition, challenging work). See solutions. **Q12.** e.g. Maslow (unmet self-actualisation/esteem) or Four Drive (unmet comprehend); propose challenging work/training. See solutions. **Q13.** Both explain motivation and guide managers; Maslow is needs-based/hierarchical, Goal Setting is goal/feedback-based. See solutions. **Q14.** Needs overlap, individuals differ, and people don’t strictly move one level at a time. See solutions. **Q15.** Not always — goals must also be clear, attainable, accepted and supported by feedback; too-hard goals reduce effort. See solutions. **Q16.** Meeting needs raises motivation → higher productivity/quality and lower turnover → objectives such as profit and efficiency achieved. See solutions. **Q17.** (a) e.g. Goal Setting Theory (or Four Drive). (b) no clarity/no feedback; secrecy undermines the drive to defend. (c) e.g. set clear goals with feedback. See solutions. **Q18.** Similarity: both needs/drive-based. Difference: hierarchy (ordered) vs simultaneous drives. See solutions. **Q19.** Model response in solutions. **Q20.** Four named factors give clarity; assessment against them supplies feedback; attaching profit share (and deferring it) builds commitment; challenge and task complexity are not evidenced by the report. The theory is the workbook’s framing, not Macquarie’s. See solutions.

Fully-worked solutions

Q7. Motivation is the internal drive that determines the **amount of effort, persistence and enthusiasm** an employee applies to their work. A motivated employee is willing to work harder and more consistently towards the goals of the business.

Q8. Self-actualisation is the highest level of Maslow’s hierarchy — the need to **reach one’s full potential** and achieve personal growth. In the workplace it is met by **challenging, meaningful work, opportunities to develop and autonomy** over how work is done — for example, giving an experienced employee the chance to **lead a new project** they find stretching and rewarding.

Q9. The **feedback** principle improves performance because it gives employees **information about their progress** towards a goal. Knowing how they are tracking allows them to **adjust their effort or approach** — working harder if behind, or maintaining a successful method — rather than continuing blindly. Regular feedback also signals that performance is being noticed, which sustains motivation and commitment to the goal.

Q10. The **drive to acquire** is the desire to obtain **scarce goods and status** — employees are motivated by pay, bonuses, promotions and other tangible rewards that improve their position. The **drive to defend** is the desire to **protect oneself and be treated fairly and securely** — employees are motivated by job security, transparent decisions and fair processes that make them feel safe. The two therefore differ in focus: acquiring is about **gaining** rewards and status, whereas defending is about **protecting** security and fairness.

Q11. Once pay (physiological) and job security (safety) are met, they **no longer motivate**, so the manager should target the **next unmet needs** higher up the hierarchy. The manager could meet **social** needs through teamwork and an inclusive culture, **esteem** needs through recognition, praise, added responsibility or promotion, and **self-actualisation** needs by offering **challenging work, training and autonomy**. By identifying which higher need the employee is now focused on and offering a reward that meets it, the manager can restore motivation even though the lower needs are already satisfied.

Q12. Using **Maslow’s Hierarchy of Needs**, the nurses’ pay and job security (physiological and safety needs) are met, but describing the work as “repetitive” with “no room to grow” indicates unmet **esteem and self-actualisation** needs — they are not being challenged or developing their potential. Because the lower needs are satisfied, competitive pay alone will not motivate them; the unmet higher needs explain the falling motivation and resignations. A suitable

strategy is to **enrich the roles** — for example, rotating nurses through varied responsibilities, offering advanced training and specialisation pathways, and involving them in improving care practices. This meets the self-actualisation need for growth and challenge, which should restore motivation and improve retention. *(Full marks: a correctly applied theory, a clear analysis of the cause, and a justified strategy.)*

Q13. Both theories aim to explain what motivates employees and give managers guidance on how to raise motivation and performance. They differ in **approach**: Maslow's Hierarchy of Needs is a **content theory** that focuses on satisfying a fixed sequence of **needs** from the bottom up, whereas Locke and Latham's Goal Setting Theory is a **process theory** that focuses on how **clear, challenging goals and feedback** drive effort. In short, Maslow explains motivation through *needs*, while Goal Setting explains it through *goals and feedback*.

Q14. Maslow's hierarchy is a **simplification** because real motivation is more complex than a fixed ladder. **Needs can overlap** and be pursued at the same time rather than strictly one level at a time; **individuals differ** in what motivates them, so the same reward does not affect everyone equally; and some people pursue higher needs (such as self-actualisation) even when lower needs are not fully met. The model is a useful guide, but it does not capture these variations perfectly.

Q15. The claim is **only partly correct**. Goal Setting Theory does hold that **challenging goals** motivate more than easy ones, so difficult goals *can* raise effort — but only if the other principles are also satisfied. The goal must be **clear**, the employee must be **committed** to it, they must receive **feedback**, and the goal must remain **attainable** given the **task's complexity**. A goal that is *too* difficult, unclear, or imposed without buy-in can **reduce** motivation because employees give up or disengage. Therefore difficulty alone does not guarantee motivation; it works only as part of the full set of principles.

Q16. There is a **positive causal relationship** between meeting employees' needs and achieving business objectives. When a business satisfies employees' needs — through pay, recognition, challenging work or fair treatment — employees become **more motivated**, which leads to **higher productivity and quality** and **lower absenteeism and turnover**. These improvements in turn help the business achieve objectives such as **making a profit, improving efficiency and effectiveness, and increasing market share**, since a motivated workforce produces more, better and more reliably. Conversely, failing to meet needs lowers motivation and undermines these objectives. Meeting employee needs is therefore a means through which the business reaches its own goals.

Q17. (a) **Locke and Latham's Goal Setting Theory** (Four Drive Theory is also acceptable). (b) Using Goal Setting Theory, Vireo fails **clarity** — with no clear targets, developers do not know what is expected, so effort is unfocused; and it fails **feedback** — without regular feedback, staff cannot gauge or improve their performance and feel unappreciated. (The secrecy also undermines commitment.) (c) Vireo could **introduce clear, measurable goals for each team together with regular feedback meetings**. This would satisfy the clarity and feedback principles, giving developers direction and recognition of their progress, which should raise motivation and reduce the loss of talented staff.

Q18. A **similarity** is that both the Four Drive Theory and Maslow's Hierarchy explain motivation in terms of **underlying human needs or drives** that managers can satisfy to motivate employees. A **difference** is their **structure**: Maslow's needs form a **hierarchy** satisfied in order from the bottom up, whereas the four drives operate **simultaneously**, with no fixed order, so all four should be addressed at once.

Q19. *Model response (10 marks).* Theories of motivation give managers frameworks for understanding what drives employees so they can raise effort and performance. **Maslow's Hierarchy of Needs** explains motivation through five needs — physiological, safety, social, esteem and self-actualisation — satisfied in order from the bottom up, so a manager motivates by meeting the employee's lowest unmet need. **Lawrence and Nohria's Four Drive Theory** explains motivation through four drives — to acquire, bond, comprehend and defend — that operate at the same time, so a manager must address all four together. **Comparing** them: both are needs-based theories that direct managers to satisfy employees' underlying needs, and both imply a mix of financial and non-financial rewards. However, they differ in structure — Maslow's needs are **sequential and hierarchical**, whereas the four drives are **simultaneous** — and the Four Drive Theory places more explicit emphasis on belonging (bond) and on fairness and security (defend).

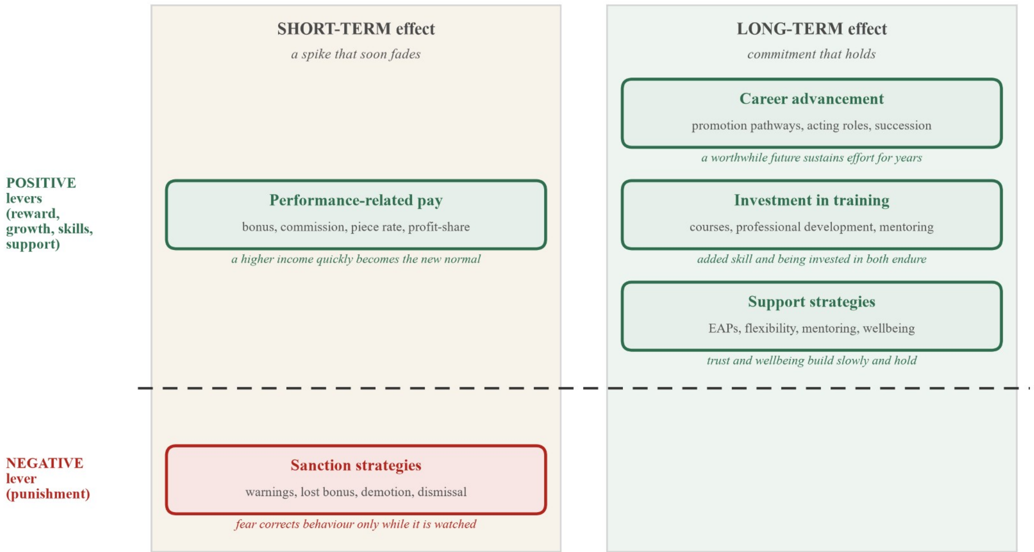
Evaluating their usefulness: theories of motivation are **valuable tools** because they help managers diagnose *why* motivation is low and choose targeted rewards rather than guessing — for example, recognising that an employee with secure, well-paid work needs esteem or growth, not more pay. They also encourage a **balanced** approach, combining pay, relationships, challenge and security. **However**, they have limits: they are **simplifications** that assume employees are broadly similar, whereas individuals are motivated by different things; they can be **difficult and costly** to apply precisely; and no single theory captures the whole picture, so managers must often combine them and use judgement. **On balance**, theories of motivation are useful as **guides** that improve managers' understanding and decisions, provided they are applied flexibly and adapted to individual employees rather than followed rigidly. *(Full marks require: an accurate comparison of two theories covering both similarities and differences; a two-sided evaluation of usefulness with examples; and a justified overall judgement.)*

Q20. Locke and Latham's Goal Setting Theory holds that motivation rises when employees pursue **clear, challenging goals** they are **committed** to and on which they receive **feedback**. Macquarie's **2025 Remuneration Report**, released on **9 May 2025**, describes a **profit share** system rather than a motivation theory, so applying the theory to it is an analysis, not a description of what the business says it does. The system meets **clarity** well: performance is assessed against **four stated factors** — financial and business results, risk management and compliance, business leadership, and people leadership and professional conduct — so employees know in advance which aspects of their work are measured, rather than being told simply to "do their best". It also supplies **feedback**, because that assessment reports back on performance against each factor, allowing employees to adjust their effort or approach. **Commitment** is reinforced by attaching a financial reward to the outcome and by retaining and deferring much of senior executives' profit share over three to five years, which ties them to longer-term goals. The report also shows the reward working in reverse: the Board reduced profit share for the senior executives concerned after taking regulatory matters during the year into account. However, the theory is only partly evidenced — the report does not show how **challenging** individual goals are, or how **task complexity** is allowed for. ∴ the system clearly demonstrates clarity, feedback and commitment, while challenge and task complexity cannot be judged from it.

Theory

A **motivation strategy** is a specific action a manager takes to raise employees' motivation — their effort, persistence and enthusiasm at work. Whereas a *theory* of motivation (Maslow, Locke and Latham, Lawrence and Nohria) is a framework that helps a manager understand **why** people are motivated, a motivation *strategy* is a **practical tool** the manager actually uses. The study design prescribes **five** strategies: **performance-related pay, career advancement, investment in training, support strategies and sanction strategies**. Four of them are **positive** levers (they reward, develop or support), while sanctions are a **negative** lever (they punish). For every strategy a manager must weigh its **advantages and disadvantages** and, importantly, its **effect on short- versus long-term motivation** — that is, how *durable* the boost to motivation is likely to be.

The five motivation strategies: how DURABLE the effect is, and which way the lever pulls



4 of the 5 strategies are positive levers and 2 are short-term. The horizontal axis is DURABILITY, not strength: performance-related pay is a powerful motivator that is nonetheless short-lived, while support may feel less dramatic and last far longer. Many businesses deliberately combine the two sides.

- **Performance-related pay.** A **financial reward** — such as a bonus, commission, piece rate, pay rise or profit-share — paid to an employee when they meet or exceed a defined performance target. It motivates by tying extra income **directly to effort or results**, so employees who want to earn more work harder towards the targets set.
  - *Advantages:* creates a strong, immediate incentive to lift productivity; rewards and helps retain high performers; aligns employee effort with clear business objectives (e.g. sales or output); the reward is objective and measurable.
  - *Disadvantages:* it is **costly**; it can push employees to chase the rewarded target at the expense of quality, teamwork or safety; it may breed unhealthy competition and undermine cooperation; those who miss out can feel demotivated; and disputes can arise over whether targets are fair.
  - *Effect:* mainly **short-term**. Money is a powerful but temporary motivator — employees quickly treat a higher income as the new normal, so the boost fades and ever-larger rewards are needed to sustain it. It does little to build lasting commitment.
- **Career advancement.** Giving employees **opportunities to progress** to higher positions with greater responsibility, status and pay — through promotion, clear promotion pathways, acting or leadership roles, and succession planning. It motivates by satisfying the desire for **recognition, status and growth**: employees work hard *now* because they can see a worthwhile future with the business.

- *Advantages:* builds **loyalty and long-term commitment**; retains ambitious, talented staff; develops future leaders from within (succession); and sustains effort because the goal is ongoing.
    - *Disadvantages:* there are only so many senior positions, so not everyone can advance — those passed over may become disappointed or resentful; a promoted employee may lack the skills the new role demands; and it takes time to have an effect, so it does little for an immediate problem.
    - *Effect:* mainly **long-term**. The prospect of advancement sustains effort and loyalty over months and years, but offers little immediate lift.
- **Investment in training.** The business **spending resources to develop employees' knowledge and skills** — for example, funding courses, professional development or mentoring. (Here training is treated purely as a **motivation lever**; the on-the-job versus off-the-job *training options* are a separate matter.) It motivates by satisfying the desire to **learn, grow and feel valued**, and by giving employees the confidence and capability to take on more.
    - *Advantages:* raises skills, lifting productivity and quality; signals that the business values its people, which builds loyalty; supports career advancement; and creates a more adaptable workforce.
    - *Disadvantages:* it is **expensive and time-consuming**; the benefit is **delayed**; time spent training reduces output in the short run; and newly skilled employees may be **poached** by competitors, so the investment can be lost.
    - *Effect:* mainly **long-term**. The added skills and the sense of being invested in build motivation and capability that endure, though there is little immediate gain (and a brief dip while training takes place).
- **Support strategies.** Assistance the business provides to help employees **cope with work and personal challenges** and perform at their best — such as employee assistance programs and counselling, flexible work arrangements, mentoring, wellbeing initiatives, manageable workloads and a supportive manager. They motivate by meeting the need for **security, wellbeing and belonging**: employees who feel cared for and backed by their employer are more engaged.
    - *Advantages:* improve wellbeing and reduce stress and absenteeism; build trust, loyalty and a positive culture; and help retain staff through difficult periods.
    - *Disadvantages:* they carry **costs** (programs, flexibility, management time); their benefits are **indirect and hard to measure**; the effect builds slowly; and, if poorly managed, support can be taken advantage of or seen as a "soft option".
    - *Effect:* mainly **long-term**. The trust and wellbeing that support builds sustain motivation over time rather than producing an immediate spike.
- **Sanction strategies. Negative consequences** imposed on an employee for poor performance or unacceptable behaviour — for example, formal warnings, loss of privileges or bonuses, demotion, suspension, withholding advancement and, ultimately, dismissal. They motivate through the desire to **avoid punishment**: employees lift their effort or correct their behaviour to escape the consequence.
    - *Advantages:* can produce a **fast correction** of poor performance or misconduct; set clear standards and consequences; deter unacceptable behaviour; and are useful where positive strategies have failed or where safety and compliance are essential.
    - *Disadvantages:* they rely on **fear**, which can breed resentment, anxiety, low morale and a negative culture; they often secure only compliance while the employee is watched; they damage the manager–employee relationship and can raise turnover; and they must follow **fair, lawful procedures** or the business risks unfair-dismissal claims.
    - *Effect:* mainly **short-term**. Fear drives a quick but temporary change and does not build genuine, lasting motivation — over time it can erode morale and become counterproductive.

Key ideas to keep straight.

- **A strategy is not a theory.** A motivation *strategy* (e.g. a bonus scheme) is a concrete action a manager takes; a *theory* (Maslow, Locke and Latham, Lawrence and Nohria) is a framework that *explains* motivation. Confusing the two — or offering a theory when a strategy is asked for — is a common and costly exam error.
- **Short-term versus long-term motivators.** As a rule, **performance-related pay and sanction strategies work mainly in the short term** — a financial spike or a fear-driven correction that soon fades — while

career advancement, investment in training and support strategies work mainly in the long term, building ongoing commitment, capability and loyalty. Many businesses deliberately **combine** short- and long-term strategies so that immediate performance and lasting engagement are both addressed.

- **"Effect on motivation" is about durability, not strength.** A short-term strategy such as pay can be a *strong* motivator that is nonetheless *short-lived*; a long-term strategy such as support may feel less dramatic but lasts.
- **Positive versus negative levers.** Four strategies motivate by offering something desirable (reward, growth, skills, support); sanctions motivate by threatening something undesirable. Sanctions therefore carry the greatest risk to morale and should generally be used sparingly and fairly.

Contemporary example — Canva, August 2025

Canva is a software business founded in Sydney that operates an online graphic-design platform. In August 2025 it opened an employee share sale — a tender offer that valued the business at US$42 billion, up from the US$32 billion set by an earlier share sale in 2024. Eligible current and former employees, whom the business calls "Canvanauts", could each sell up to US$3 million of their **vested** equity at US$1,646.14 a share, to investors led by Fidelity Management & Research.

Share ownership of this kind is a form of **performance-related pay**: a **financial reward** whose value rises with the business's results, so employees who help lift that value stand to gain. The event also shows what such a reward depends on. Because Canva was not listed on a stock exchange, staff holding shares could not simply sell them; the share sale was the mechanism that turned paper holdings into cash. The **effect on motivation** therefore turns on **durability**. While the equity cannot be realised it works rather like **career advancement** — a valuable future prospect that gives ambitious staff a reason to stay. Once it is cashed out it behaves like any other financial reward: a strong but **short-term** lift that fades as employees come to treat the higher wealth as normal.

Source: Forbes, "Australian Billionaire Couple's Canva Valued At $42 Billion In Employee Share Sale", 21 August 2025 — https://www.forbes.com/sites/yessarrosendar/2025/08/21/australian-billionaire-couples-canva-valued-at-42-billion-in-employee-share-sale/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

GreenLeaf Landscaping introduces a bonus paid to each work crew that completes a job under the quoted number of hours. Explain how this performance-related pay could motivate employees, and state whether its effect on motivation is likely to be short-term or long-term.

Working	Comment
The bonus ties **extra income directly to results** — finishing a job under the quoted hours.	Identify the mechanism: financial reward linked to a performance target.
Crews wanting to earn more will **work faster and more efficiently** to trigger the bonus, lifting productivity.	Explain *how* it motivates (causal link to effort).
Once the bonus becomes expected, crews treat the higher pay as normal and the extra push **fades**, so larger bonuses would be needed to sustain it.	Apply the durability test.
∴ the bonus motivates by rewarding faster work, but its effect is mainly **short-term**.	State the conclusion.

Example 2 — scaffolded

Northwind Accounting is losing ambitious junior accountants who say there is "nowhere to go" in the firm. Recommend a motivation strategy to address this, and explain how it would motivate them.

Working	Comment
The complaint is about a lack of **future prospects**, not pay — the accountants cannot see a way up.	Diagnose the underlying need before choosing a strategy.

Working	Comment
Recommend **career advancement** — clear promotion pathways and opportunities to progress to senior roles.	Match the strategy to the need.
Seeing a genuine path upward gives the accountants a reason to work hard **now** and to stay with the firm rather than leave.	Explain *how* it motivates (status, growth, future).
Because the goal is ongoing, the effect is **long-term**, building loyalty and reducing turnover.	Note the short/long-term effect, linking it to the problem (retention).

Example 3 — unscaffolded

Distinguish between performance-related pay and sanction strategies as approaches to motivating employees.

Performance-related pay is a **positive** strategy: it motivates by offering a **financial reward** — such as a bonus or commission — when an employee meets a target, so employees increase their effort in order to **gain** the reward. **Sanction strategies** are a **negative** strategy: they motivate by imposing an unwanted **consequence** — such as a warning, demotion or loss of a bonus — for poor performance or misconduct, so employees lift their effort in order to **avoid** the punishment. The two therefore differ in **direction**: performance-related pay pulls employees towards a desirable reward, whereas sanctions push them away from an undesirable penalty. They are alike in that **both tend to motivate only in the short term** — the pay boost fades once it is expected, and fear-driven improvement lasts only while the threat is present. ∴ the strategies differ mainly in whether they work through reward or through punishment.

Example 4 — unscaffolded

Explain why career advancement, investment in training and support strategies are generally described as long-term motivators, while performance-related pay and sanctions are described as short-term motivators.

The distinction rests on **how durable** each strategy's effect on motivation is. **Performance-related pay** and **sanctions** both produce a **quick but temporary** change: a bonus lifts effort until employees come to expect the higher pay and treat it as normal, and the fear behind a sanction drives improvement only while the threat is present, after which motivation falls away and morale may even suffer. In contrast, **career advancement, investment in training and support strategies** work by building something **lasting** — a sense of future prospects, growing skills and confidence, and trust that the business cares for its people. These outcomes accumulate over time and **sustain** commitment and loyalty for months or years, even though none of them gives much of an immediate boost. ∴ pay and sanctions deliver short, fading bursts of motivation, whereas advancement, training and support build motivation that endures.

Practice questions

Scaffolded

Q1. List the **five** motivation strategies prescribed in the study design.

Q2. For each of the following, name the motivation strategy being described: (a) paying employees a bonus for exceeding a monthly sales target; (b) issuing a formal written warning to an employee who repeatedly arrives late; (c) offering staff an employee assistance program and flexible working hours.

Q3. Classify each of the five motivation strategies as tending to have a mainly **short-term** or a mainly **long-term** effect on employee motivation.

Q4. Performance-related pay. (a) Explain **how** it motivates employees. (b) Outline **one** disadvantage of using it.

Q5. Sanction strategies. (a) Identify **one** advantage of using sanctions to motivate employees. (b) Identify **one** disadvantage.

Q6. Explain the difference between **career advancement** and **investment in training** as motivation strategies.

Unscaffolded

Q7. Define the term *performance-related pay. (2 marks)*

Q8. Describe how investment in training can be used as a motivation strategy. *(3 marks)*

Q9. Distinguish between support strategies and sanction strategies. *(4 marks)*

Q10. Outline **one** advantage and **one** disadvantage of career advancement as a motivation strategy. *(4 marks)*

Q11. Explain why career advancement is described as a **long-term** motivation strategy. *(3 marks)*

Q12. Compare performance-related pay and career advancement in terms of their effect on employee motivation. *(4 marks)*

Q13. Discuss the use of sanction strategies to motivate employees. *(6 marks)*

Q14. Analyse the relationship between a business's investment in training and the achievement of its business objectives. *(6 marks)*

Q15. *Case study.* **Brightwater Pools** installs and services swimming pools. The owner, Talia, pays her installation teams a bonus for every pool completed ahead of schedule. Recently several long-serving installers have resigned, saying the job has become "just chasing bonuses", with "no future here" and "no support when a job goes wrong on site". Talia wants to reduce this turnover. (a) Identify the motivation strategy Talia currently relies on. *(1 mark)* (b) Explain **one** limitation of relying on this strategy alone, with reference to Brightwater Pools. *(3 marks)* (c) Propose **two** other motivation strategies Talia could introduce to reduce turnover, and justify each. *(4 marks)*

Q16. Solara Trades, a solar-panel installer, wants to lift the motivation of its experienced technicians without simply increasing pay. Propose and justify **one** motivation strategy the business could use. *(4 marks)*

Q17. Evaluate the use of performance-related pay to motivate employees. *(6 marks)*

Q18. Explain why a business might use a **combination** of short-term and long-term motivation strategies. *(4 marks)*

Q19. *Extended response.* **Terra Roasters** is a growing coffee-roasting business. Its managers currently motivate staff mainly through performance-related pay and through sanctions for missed quality checks, yet staff turnover is high and morale is falling. Evaluate the use of these two motivation strategies at Terra Roasters, and recommend how the business could improve **long-term** employee motivation. *(10 marks)*

Q20. *Contemporary example.* In August 2025, Canva ran an employee share sale at a US$42 billion valuation, allowing eligible current and former employees to sell up to US$3 million each of their **vested** equity. Analyse the effect on employee motivation of using share ownership as a form of performance-related pay. *(6 marks)*

Answers

Q1. Performance-related pay; career advancement; investment in training; support strategies; sanction strategies. **Q2.** (a) performance-related pay; (b) sanction strategies; (c) support strategies. **Q3.** Short-term: performance-related pay, sanction strategies. Long-term: career advancement, investment in training, support strategies. **Q4.** (a) It links extra pay to meeting a target, so employees work harder to earn the reward. (b) e.g. costly; can compromise quality/teamwork; effect fades once the pay is expected. **Q5.** (a) e.g. fast correction of poor performance; sets clear standards; deters misconduct. (b) e.g. relies on fear, harming morale and the manager–employee relationship. **Q6.** Career advancement offers progression to higher roles (status/future); investment in training develops skills and knowledge. Both build long-term motivation. **Q7.** Model response in solutions. **Q8.** Funding courses/development raises skills and signals the employee is valued, meeting the desire to grow. See solutions. **Q9.** Support = positive help with work/personal challenges (long-term); sanctions = negative penalties for poor performance (short-term). See solutions. **Q10.** Advantage: builds loyalty/retains talent (long-term). Disadvantage: limited senior roles, so some are passed over and demotivated. See solutions. **Q11.** The prospect of progression sustains effort and loyalty over months/years rather than giving an immediate boost. See solutions. **Q12.** Both motivate and can raise performance; PRP is a short-term financial spike, career advancement a long-term commitment builder. See solutions. **Q13.** Advantages (fast correction, clear standards) vs disadvantages (fear, resentment, morale, turnover). See solutions. **Q14.** Training → higher skills/productivity/quality and loyalty → objectives such as profit, efficiency, effectiveness. See solutions. **Q15.** (a) Performance-related pay. (b) e.g. it is short-term/ignores future and support, driving resignations. (c) e.g. career advancement + support strategies, justified. See solutions. **Q16.** e.g. investment in training or career advancement, justified for experienced staff. See solutions. **Q17.** Evaluation — strengths (immediate incentive, aligns effort) vs weaknesses (costly, short-term, can harm quality/teamwork); judgement. See solutions. **Q18.** Short-term strategies drive immediate performance; long-term strategies build lasting commitment — combining them addresses both. See solutions. **Q19.** Model response in solutions. **Q20.** Equity is a financial reward, so a form of performance-related pay; it can sustain motivation while it is held (like career advancement), but only if employees believe they will one day realise it, and once cashed out its effect is short-term. See solutions.

Fully-worked solutions

Q7. Performance-related pay is a **financial reward** — such as a bonus, commission or pay rise — that a business pays to an employee **when they meet or exceed a defined performance target**. It links part of an employee's pay directly to their effort or results.

Q8. Investment in training motivates by **funding the development of employees' knowledge and skills** — for example, paying for courses, professional development or mentoring. Providing training meets employees' desire to **learn and grow**, gives them the confidence to take on more challenging work, and **signals that the business values them**. Feeling more capable and valued, employees become more engaged and committed, which raises their motivation (an effect that builds over the long term).

Q9. Support strategies are a **positive** approach: the business provides assistance — such as counselling, flexible work arrangements, mentoring and wellbeing programs — to help employees **cope with work and personal challenges**, so they feel secure and cared for and stay motivated over the **long term**. **Sanction strategies** are a **negative** approach: the business imposes **penalties** — such as warnings, demotion or loss of a bonus — for poor performance or misconduct, so employees improve in order to **avoid punishment**, usually only in the **short term**. The two therefore differ in that support motivates by *helping* employees, whereas sanctions motivate by *penalising* them.

Q10. *Advantage:* career advancement **builds loyalty and long-term commitment**, because employees who can see a genuine path to promotion have a reason to work hard and to stay with the business, which helps retain talented, ambitious staff and develops future leaders from within. *Disadvantage:* there are only a **limited number of senior positions**, so not everyone can be promoted; employees who are repeatedly passed over may become **disappointed or resentful** and lose motivation, and the strategy does little to solve an immediate problem because it takes time to have an effect.

Q11. Career advancement is described as a **long-term** motivator because it works through the **prospect of future progression** rather than an immediate reward. Employees who can see a clear pathway to higher roles with more responsibility, status and pay have an ongoing reason to **maintain strong effort and stay with the business** so that they qualify for promotion. This sustains motivation and loyalty over **months and years**. It gives little immediate boost — its value lies in the durable commitment it builds over time.

Q12. Both performance-related pay and career advancement are motivation strategies that can raise employees' effort and performance, and both are **positive** levers that offer employees something desirable. However, they differ in the **durability** of their effect. Performance-related pay is a **short-term** motivator: a bonus produces an immediate lift in effort, but once employees expect the higher pay it becomes the norm and the boost **fades**. Career advancement is a **long-term** motivator: the prospect of promotion sustains effort and loyalty over an extended period, though it offers little immediate lift. In short, both motivate, but pay delivers a quick, fading spike while advancement builds lasting commitment.

Q13. Sanction strategies have clear **advantages** and **disadvantages**. *Advantages:* by imposing consequences such as warnings, demotion or loss of privileges for poor performance, sanctions can produce a **fast correction** of unacceptable behaviour or underperformance; they set **clear standards** and consequences, deter misconduct, and are useful where positive strategies have failed or where safety and compliance are essential. *Disadvantages:* because they rely on **fear**, sanctions can breed **resentment, anxiety and low morale** and create a negative culture; they often secure only compliance **while the employee is being watched**, rather than genuine motivation; they can damage the manager–employee relationship and increase **staff turnover**; and, if not applied through fair and lawful procedures, they can expose the business to **unfair-dismissal claims**. Their motivating effect is also typically **short-term**. Sanctions are therefore best used sparingly, fairly and alongside positive strategies.

Q14. There is a **positive causal relationship** between investing in training and achieving business objectives. When a business invests in developing employees' skills and knowledge, employees become **more capable and confident**, so they work **more productively** and produce **higher-quality** goods or services; feeling valued and developed, they also become **more motivated and loyal**, which **lowers absenteeism and turnover**. These effects flow through to the business's objectives: a more skilled, motivated and stable workforce helps the business **improve efficiency and effectiveness, increase output and sales, and ultimately make a profit**, while reducing the costs of recruiting and replacing staff. In other words, the investment works *through* employee capability and motivation to drive the outcomes the business is trying to achieve. The relationship is not instant — training takes time and money before the gains appear — but over the long term the improvement in skills and motivation directly supports the achievement of objectives.

Q15. (a) **Performance-related pay** (the completion bonus). (b) Relying on performance-related pay alone is a **short-term** strategy, and at Brightwater Pools it appears to be **crowding out the other things that keep experienced staff**. The installers' comments — that the job is "just chasing bonuses", with "no future here" and "no support when a job goes wrong" — show that the bonus does nothing to meet their need for **career progression or support**, and once the higher pay is expected it stops motivating. Because these longer-term needs are unmet, the experienced installers are resigning, so the strategy is failing to retain them. (c) Talia could introduce **career advancement** — creating senior installer or team-leader roles with a clear promotion pathway — which would give experienced installers a **future** with the business and a reason to stay, addressing the "no future here" complaint. She could also introduce **support strategies** — such as on-site technical backup, mentoring for difficult jobs and reasonable workloads — which would address the "no support when a job goes wrong" complaint and build trust and loyalty. Both are long-term strategies that directly target the reasons installers gave for leaving, so they should reduce turnover.

Q16. For experienced technicians who are already well paid, **investment in training** would be an effective strategy. Solara Trades could fund **advanced accreditation and professional development** — for example, training in the newest solar and battery-storage systems. This motivates because it meets experienced employees' desire to **keep learning and mastering their craft**, gives them challenging new capabilities rather than repetitive work, and **signals that the business values them** enough to invest in their future. Because it builds skills and engagement over time rather than simply adding to pay, it is well suited to motivating experienced staff and also leaves the business with a more capable workforce. *(Career advancement — creating lead-technician roles — would also be an acceptable, justified proposal.)*

Q17. Performance-related pay has real **strengths** and **weaknesses**. *Strengths:* it creates a **strong, immediate incentive** to lift productivity, because employees can earn more by meeting targets; it **aligns employee effort with business objectives** such as sales or output; it rewards and helps retain **high performers**; and the reward is objective and measurable. *Weaknesses:* it is **costly**; it can lead employees to chase the rewarded target at the expense of **quality, teamwork or safety**; it can create **unhealthy competition** and demotivate those who miss out; and its effect is largely

short-term, fading once the higher pay comes to be expected. *Judgement:* on balance, performance-related pay is **most effective for driving short-term, measurable performance** — for example, lifting sales in a defined period — but it is **not sufficient on its own** to sustain motivation, and works best when combined with longer-term strategies such as career advancement, training or support that build lasting commitment. Its value therefore depends on how, and alongside what, it is used. *(Full marks require weighing advantages against disadvantages and reaching an evidence-based judgement, not simply listing pros and cons.)*

Q18. A business might **combine** short-term and long-term motivation strategies because the two types do **different jobs**. **Short-term** strategies — performance-related pay and sanctions — deliver an **immediate** change in effort or behaviour, which is useful for hitting a pressing target or correcting underperformance quickly; but their effect **fades**, and sanctions can harm morale if overused. **Long-term** strategies — career advancement, investment in training and support — build **lasting commitment, capability and loyalty**, which reduces turnover and sustains motivation, but they give little immediate lift. By using a **combination**, a business can secure **both** immediate performance **and** enduring engagement — for example, offering a bonus to lift output this quarter while also providing training and clear promotion pathways so that motivation is maintained over time. Relying on either type alone would leave one of these needs unmet.

Q19. *Model response (10 marks).* Terra Roasters currently relies on two **short-term** motivation strategies — performance-related pay and sanctions — which helps explain its high turnover and falling morale. **Performance-related pay** motivates by tying extra income to results, giving staff an immediate incentive to work harder, and it aligns their effort with objectives such as output. However, it is costly, can lead employees to chase rewarded targets at the expense of quality, and — being short-term — loses its effect once the higher pay is expected, so it does little to build lasting commitment. **Sanctions** for missed quality checks can correct poor performance quickly and set clear standards, but they rely on **fear**: at Terra Roasters they appear to be breeding **resentment and low morale**, and because they secure only grudging compliance rather than genuine motivation, they are likely contributing to staff leaving. Used together and largely on their own, these two strategies deliver short bursts of compliance while doing nothing to make employees *want* to stay — which fits the pattern of high turnover and declining morale.

To improve **long-term** motivation, Terra Roasters should add **positive, durable** strategies. **Investment in training** — funding barista and roasting skills development — would raise capability and signal that the business values its people, meeting their desire to grow. **Career advancement** — creating head-roaster or shift-supervisor roles with clear pathways — would give staff a future with the growing business and a reason to stay. **Support strategies** — such as reasonable workloads, wellbeing support and a more constructive response to quality errors than punishment — would rebuild trust and morale. These strategies build the lasting commitment and loyalty that pay and sanctions cannot. *On balance*, performance-related pay and sanctions are **too narrow and too short-term** to motivate Terra Roasters' staff sustainably, and while a limited bonus may still have a place for driving immediate performance, the business should **shift its emphasis** towards training, advancement and support if it wants to reduce turnover and lift morale over the long term. *(Full marks require: a two-sided evaluation of both named strategies applied to Terra Roasters; a justified recommendation targeting long-term motivation; and an overall judgement supported by evidence.)*

Q20. Giving employees **share ownership** is a form of **performance-related pay**: it is a **financial reward** whose value rises with the business's results, so employees have a direct financial interest in lifting that value. It differs from a bonus in that the reward **accumulates** rather than being paid out at the end of each period. At Canva that accumulated reward was **locked up**, because the business was not listed and staff could not simply sell their shares; the August 2025 share sale was what allowed **vested** equity to be converted into cash, up to US$3 million per eligible employee. This points to the central limitation of equity as a motivator: a reward employees **cannot realise** is only a promise, and its motivating power depends on their belief that a sale or listing will eventually come. While that promise is outstanding, equity behaves like a **long-term** strategy — much as **career advancement** does, it gives ambitious staff a reason to stay and keep working towards a bigger future payoff. Once the equity is cashed out, however, it behaves like any other financial reward: a **strong but short-term** lift that fades as employees adjust to their new wealth, and it may even remove a reason to remain with the business. ∴ share ownership can motivate over a longer horizon than a bonus can, but only where employees can see a credible path to realising it, and a business relying on it still needs **investment in training, career advancement and support strategies** to sustain motivation after a payout. *(Full marks require: identifying equity as performance-related pay; explaining the mechanism; and analysing both the long-term and short-term effects on motivation with reference to the example.)*