Lesson 4: Motivation: financial methods

KNOWLEDGE ORGANISER

3.4 journey 1 2 3 4 5 6 7 Lesson 5 of 7

🎯 Learning goals

- ✓ Explain why motivation matters to a business
- ✓ Define the financial methods: salary, wage, commission, profit sharing
- ✓ Apply each method to the right kind of worker
- ✓ Evaluate which financial method suits a business

🔑 Key words

Motivation How willing staff are to work hard for the business.

Salary A fixed yearly amount, usually paid monthly.

Wage Pay for the hours someone works.

Commission Extra pay based on how much someone sells.

Profit sharing Staff get a share of the business's profits.

📘 What you need to know

Why motivation matters

Motivation is how willing staff are to work hard to help the business meet its goals. Motivated staff are more productive, do better-quality work, and are less likely to leave. So motivation links straight to **productivity, quality and retention**.

The four financial methods

Financial methods use **pay** to motivate. The four you need are:

1 Salary

A fixed yearly amount, paid monthly. Common for managers and office staff. Gives security but isn't linked to output.

2 Wage

Pay for the hours worked. Common for shop and hourly staff, like Dominic's counter staff.

3 Commission

Extra pay based on how much you sell. Rewards effort directly — good for sales roles.

4 Profit sharing

Staff get a share of the business's profits. Rewards the whole team and builds loyalty.

Financial methods can lift effort and output. But money has limits — once staff earn enough, extra pay matters less. That is why businesses also use non-financial methods (Lesson 5).

✅ Test yourself

Cover the answers below, answer Q29–Q35, then check.

Q29 What is motivation?

Q30 Why is motivation important for a business?

Q31 What is a salary?

Q32 What is a wage?

Q33 What is commission?

Q34 What is profit sharing?

Q35 One advantage of financial motivation?

ANSWERS

A29 The willingness of employees to work hard and achieve business objectives.

A30 It leads to higher productivity, better quality, and lower staff turnover.

A31 A fixed annual payment, usually paid monthly.

A32 Payment based on hours worked.

A33 Pay based on sales made by an employee.

A34 Employees receive a share of the business's profits.

A35 Encourages employees to increase effort and output.