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ERG Theory

ERG Theory is a contemporary theory propounded by Clayton Alderfer of Yale University. He has reworked the hierarchy of needs theory suggested by Maslow and categorized man's needs into 3 major areas. They are:

- **Existence needs**, which are similar to physiological and safety needs as stated by Maslow.
- **Related needs**, which correspond to social needs in Maslow's theory.
- **Growth needs**, which correspond to the esteem and self-actualization needs stated by Maslow.

So, why was this theory formed if it is just a mere terminology change to an existing theory? The basic difference, according to Alderfer, is that more than one need could be operative at the same time. He also states that if the gratification of a higher need is not possible, preference for the lower level need increases. Thus, he disputed the hierarchy of needs, instead emphasizing that all the needs exist in progression. If a person is working towards growth, that does not mean that his or her physiological needs or existence needs are satisfied and do not motivate him/her anymore. He also emphasizes the regression of needs.

Let's examine an industry scenario to gain a better understanding of this theory. An FMCG company is adding a new line of products, and the existing sales force, which has a star performer, is expected to promote and sell it. Selling a new product is, however, not an easy task. They are expected to put in more effort, and moreover, this product could eat into the existing product's market share.

Though sales executives see ample prospects for career growth if they are successful in marketing the product, they are also aware of the hardships involved. Unless they are totally convinced of its success, they will not be enthusiastic about taking the job. Thus, the regression of needs sets in and they prefer to remain in their cozy corners and sell only those products they are comfortable with. Security in daily life essentially means to fulfill daily needs, and nobody is above it. Even if some encourage the idea of selling a new product, they do not want to incur the wrath of their peers, and once again regression sets in. After all, man is a social animal. The growth need is dormant in all individuals. In this situation, you cannot motivate employees merely by addressing the company's new need and assuming that their existence and relationship needs are satisfied. The ERG theory emphasizes this.