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TOPIC

"The role of money in motivating employees."

This paper is primarily a review of classical and most current texts and articles.

It tries to shed some light upon the controversial and complex relationship of motivation and behaviour, and the role of money in this relationship.

Motivation and behaviour are subjects of great complexity and confusion. At the outset it is necessary to say that there is no agreed body of learning which will explain analytically and definitely the role of money.

The importance of the subject to managers is that the various ideas and theories seeking to explain human motivation and behaviour may provide some useful insights into why people at work behave the way they do and into courses of action that may improve their motivation.

It is often assumed that motivation is biologically and genetically determined, giving rise to the belief that an individual's level of motivation cannot be changed.

However, studies show that culture, family and socioeconomic background, and specific forces operating in the immediate environment are as important as biology.

Thus, according to this viewpoint, motivation is a result of qualities inherent in individuals and the total environment in which they find themselves.

In the academic level, human motivation and behaviour has been studied by, among others, economists, psychologists, industrial sociologists, anthropologists and political theorists. But basically behind all these specialized theoreticians, four philosophies have influenced approaches to dealing with employees.[1] These philosophies can be entitled the rational-economic man, the social man, the self-actualizing man and the complex man approach. <u>The rational-economic man approach</u> assumes that people are solely motivated by economic considerations and can make rational economic decisions.

From this view, manipulation of wages and incentives should be sufficient to control workers. And since arousal and persistence of behaviour have generally been considered the important motivational problems, monetary rewards can secure both factors of a high and constant level of activity.

A subsidiary idea is that people would not work unless paid - a natural state of laziness. The feelings of the workers, their hopes, fears, ambitions or dissatisfactions are considered irrelevant.

The proponents of this thesis, and mainly F.W. Taylor,[2] suggest that the desire for money is the focus of many needs. During the course of his socialization, the individual learns that the possession of money is the means of gratifying many different needs and that the lack of money is the signal that he may have to bear the uncomfortable goading of many un-satisfied desires.

Some of the drives upon which the desire for money is based are primary drives, such as hunger and cold. Others may be secondary, such as anxiety. Because of the number of different drives supporting the need for money, it is a rare occasion when the individual is without any primary motivation to summate with and activate his need for money.

In fact, so omnipresent in our adult society is the desire for certain coins and bits of paper that it seems almost to operate as a primary drive.

But the economic motivation supporters acknowledge that the primary desire for money is not innate. Children have to be taught the value of money. Moreover, they say, the economic motive -money- is a very important factor. It is likely to remain as long as economic reward and social status are closely allied.

They even find support in works of eminent sociologists, such as L. Rainwater,[3] who explores the many-faceted relationships between income and life-style and concludes that in a very real sense, money does buy happiness because "such simple, cold and hard facts as the dollar amount of a pay or welfare cheque have their effects on such subtle human issues as personal well-being, nurturance, family relations and self-esteem."

Furthermore, during periods of high inflation, when real incomes are static or falling, it is clear that money tends to increase in importance relative to other rewards, satisfactions and factors. It is unclear, however, whether rising living standards will gradually reduce the importance of money as a motivating factor or whether expectations will always continue to outstrip pay.

But, how do you explain the fact that under virtually identical payments - salaries, wages, bonus there are great variations in individual behaviour, work-motivation and consequently job satisfaction?

Job satisfaction refers to a person's attitudes towards his or her job. Attitudes in turn, are often defined as emotional responses, positive or negative, toward something.

In order to answer this question let's turn to the other philosophical explanations of human motivation.

The Social Man approach: As research began to explore attitudes, job satisfaction, social groupings and conformity, the concept of social man began to develop.

In this view, workers are primarily motivated by social needs, which may not be met by their work.

Workers may be more responsive to their peers, than to their company, unless the job can, at least in part meet the workers' social needs.

Within this framework were developed such concepts or worker participation in goal setting, human relations factor, recognition, job security, etc.

Herzberg[4] was a well-known early exponent of this approach which has been developed extensively and broadly.

While these lines of thinking do not deny the existence of economic motivation they tend to place a great deal of emphasis on other non-economic factors. Unfortunately, these other factors consist of a long list and while each one may have some value in its own right they are very difficult in practice to blend into a comprehensive system of rewards.

Social psychologists typically emphasize the fact that work is a social activity. Virtually all work roles require social interaction with other people.

V.H. Vroom [5] states: "The complexity of the relationship between social motivation and work becomes apparent when we attempt to specify the kinds of social outcomes which provide satisfaction. Clearly, it is not social interaction in any general sense that is satisfying to a given person but specific kinds of socially derived outcomes e.g. having influence over other people, being liked by other people, being cared for by other people, etc.

Undoubtedly there are extensive individual differences in the amount of satisfaction afforded by these particular kinds of outcomes."

Many organizational theories, such as the contingency theory, job design and job enrichment conceptions, belong here too.

Contingency theory believes that patterns of behaviour and motivation must be seen or contingent upon the type of organization and its role, thus stressing users-components of motivation as opposed to micro-economic ingredients.

Some simple jobs, especially in mass production are boring and soul destroying. Hence, it is said that high absenteeism, labour turnover and strikes are a consequence. Over the years attempts have been made in a number of organizations to "enlarge" or "enrich" jobs.

<u>The Self-Actualizing Man approach</u> emphasizes an intrinsic element, which comes from within the person, and it energizes, directs, stimulates, drives him.

The worker takes pride in his work because it is his work.

"In reality, nothing motivates people, says S.D. Tuskie[6], they motivate themselves. Clarity and Commitment can, however, help to create a purposeful image or vision with which workers can identify." And W.B. Werther[7], Jr. adds, "loyalty creates the extra effort and extra drive that separates the great organizations from others. It reflects the faith people have in their leaders and in their leaders' vision of the organization and its purpose. When loyalty is widespread, many members of the organization are self-motivated."

Therefore, self-actualizing approach accepts intrinsic motivators backed up with extrinsic factors.

"The factors that lead to positive job attitudes do so because they satisfy the individual's need for self-actualization in his work. The concept of self-actualization, or self-realization, as a man's ultimate goal has been focal to the thought of many personality theorists " Herzberg[8] says. And he adds: "man tends to actualize himself in every area of his life, and his job is one of the most important areas."

The most eradite advocate and backer of this philosophy was Abraham H. Maslow,[9] He emphasized that the striving toward actualization of the man's potential is a basic quality of being human. "Man demonstrates in his own nature a pressure toward fuller and fuller. Being more and more perfect actualization of his humanness ..." And "What a man can be, he must be. This need we may call self-actualization."

N.C. Morse and R.S. Weiss[10] similarly state: "To the typical man in a middle-class occupation, working means having a purpose, gaining a sense of accomplishment, expressing himself."

<u>The Complex Man approach</u> The complex man view recognizes the great variation of motives, emotions, experiences, and abilities of different people, and that these change over time.

New motives can be learned, new skills may change a person's attitude about the job and how well he or she can handle it.

So, to the common question from managers: "How can I get people motivated to work harder?", there is no single strategy for dealing with workers motives and management has to be prepared to deal with complex and changing situations.

In virtually identical jobs two individuals may have very different attitudes and motives which affect their performance and which have to be dealt with differently.

The previous philosophical approaches not only indicate different orientations to the quest of worker motivation, but they also help us to compass our orientation in order to weigh in the question of money as a major motivator.

Undoubtedly, using money to bring about employee motivation and satisfaction is a controversial and complex undertaking. "The controversy and complexity arise not so much from the money's potential to motivate and satisfy, but rather how the method/is used to translate this potential into practice."[11]

But "if men work only for money, there is no way of explaining the degree of dislocation and deprivation which retirement, even on an adequate salary, appears to bring to the formerly employed."[12]

In contrast, "employees have always expressed great concern about pay"[13]. On the other hand, "Performance-related compensation plans generally ignore employees other than top management and, to a lesser extent, some middle managers."[14]

Similarly, "The salary compression among the top levels of management has all but eliminated the financial motivation for senior executives to strive for promotion or to more from one major corporation to another" and "...could eventually provoke severe restrictions on the freedom to motivate and reward leadership."[15]

Over the years, many approaches have been used to tie some portion of employee pay to performance in the hopes of inducing employees (managers belong here too, since the shareholders, by paying so much, have legitimate purposes: "holding the CEO and motivating him to increase the value of the shares."[16]) to apply greater effort to their work - motivation - and of rewarding them in a way and at a level that seems fair satisfaction.

According to Herzberg, Mansner, and Snyderman[17] behind all notions of motivation for work was and still is the theory of the economic man with roots mainly in the nineteenth century. "Of course, the manipulation of economic incentives is still far from obsolete. The economic incentive is still hopefully applied to the hourly worker in a bonus or to the vice-president in an offer of a stock option."

T. Kempner[18] agrees - "While (this) approach is now considered to be too crude, monetary incentives are still widely believed to exercise a decisive influence."

Likewise, Vroom[19] confirms "one indisputable source of the desire of people to work is the money they are paid for working. Although we may disagree with the monolithic conception of the classical "economic man", few people would dispute the importance of anticipated economic consequences in the guidance of human conduct. Despite the old saying that "money can't buy happiness", it can be exchanged for many commodities which are necessary for survival and comfort...Originally restricted to wages, the economic outcome derived from the occupancy of work roles now include a wide range of fringe benefits including retirement programs like health insurance plans, free meals and free recreational and educational programs."

The same diversity of payments is observed over current employee (executive) payments. These compensations include direct pays, merit pays and increases, merit bonuses, stock options, performance shares, special prerequisites, profit-sharing plans, equity-ownership, etc.

But again, how important/the role of financial compensation is in dealing with employee motivation and satisfaction? "While there was a time following the research and writing of Maslow and Herzberg when money was relegated to a secondary role in the motivation scheme of things, it soon became apparent that this view of money did not fit with what was observed. Academicians and practitioners may have placed money in a lower-level, hygienic role and suggested that money was no longer an important or powerful variable in understanding individual motivation, but they did not keep this view for long. The realization that money provides both lower - and upper level need fulfillment, in conjunction with more sophisticated process theories of motivation, has renewed the importance of maintaining a link between performance and rewards - money rewards included."[20]

Theoretically speaking, there are five principal theories[21] or interpretations of the role of money in affecting job attitudes:

a) Money is a generalized conditioned reinforcer because financial incentives usually coupled with other primary reinforcers such as status, recognition, achievement, responsibility, etc.

b) Money is a conditioned incentive. While incentive is defined as an object or external condition, perceived as capable of satisfying an aroused motive, that tends to elicit action to obtain the object or condition, it is different than reinforcer. Money can repeatedly match with other factors and create a great stimulating job effort.

c) Money is an anxiety reducer. Brown[22] suggested that "...one learns to become anxious in the presence of a variety of cues signifying the absence of money. Presumably, anxiety related to the absence of money is acquired in childhood through a process of higher-order conditioning....the child becomes anxious upon hearing phrases such as "That costs too much money" or "We can't afford to buy that", etc."

This concept of anxiety as a learned motivating agent for money-seeking responses in no way contradicts the possible action of money according to the two previous hypotheses; money as an anxiety-reducer could operate jointly with them as an additional explanatory device."[23]

d) Money is a "hygiene factor" In their well-defined book,[24] Herzberg, Mausner and Snyderman argued that money is a "hygiene factor", which can potentially create dissatisfaction if it is given in large amounts, but it cannot serve as a promising satisfier or positive motivator. "Improvement in salary will serve to remove the impediments to positive job attitudes but it will not actually generate job satisfaction."[25]

e) <u>Money is an instrument for gaining desired outcomes</u> According to Vroom money obtains valence - "effective orientations toward particular outcomes"[26] - and consequently acquires security, achievement, recognition, status ownership, social interaction, etc.

Thus, for example, if money is perceived by or given/to a person as instrumental to obtaining security, and if security is desired money itself acquires positive valence."[27]

Similarly, "money in itself has no intrinsic meaning and acquires significant motivating power only when it comes to symbolize intangible goals."[28]

Recently, Campbell concluded that "monetary and verbal incentives affect heavily on individual's preference to work on easy or hard goals."[29] In the same way, Furukawa states "...a job with clear instructions and monetary rewards may generate goals set with more confidence, hence contribute more to task motivation than a job with ambiguous instructions and uncertain rewards."[30]

In conclusion, can we say anything systematic and synthetic about human behaviour as expressed in motivational patterns and the use of monetary rewards?

Positively, people are complex and multifaceted. No single theory, principle, or approach has the requisite complexity to sufficiently address all the aspects and the influence of money and/or other motivators.

It seems obvious that employees must regard money as a highly desirable commodity.

However, it is easy to find people in industry who place salary in a position of only moderate importance.

Nevertheless, it remains true that an outstanding number of employee motivational schemes, which rely directly on the use of wage incentives and bonuses, is impressively successful.

"Simply put, the effective use of money rewards is still a necessary ingredient in increasing employee motivation and satisfaction. In the scramble to increase their ability to deal with intrinsic needs, organizations cannot afford to lose sight of the importance of money rewards."[31]

Notes

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3) L. Rainwater: "What money buys", The Quality and the Social Meaning of Income, Basic Books Inc., N.Y. 1979, p.121.

4) Frederick Herzberg, B. Mausner, B.B. Snyderman, The Motivation to Work", John Wiley & Sons, Inc. 1959, pp. 44-50.

5) Victor H. Vroom, "Work and Motivation" John Wiley & Sons, Inc. 1966, p.40.

6) Stanley D. Tuskie: "The Driving Force of Successful Organizations, Business Horizons, May-June 1984, p.46.

7) William B. Werther, Jr. "Loyalty at Work" Business Horizons, March-April 1988, p.28.

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9) Abraham H. Maslow, "A Theory of Human Motivation" Psychological Review, Vol.50, 1943, p.378 and "Toward a psychology of Being", 1968, p.33.

10) Nancy C. Morse and Robert S. Weiss, "The function and meaning of work and the job", American Sociological Review, Vol. 20, 19~~88~~,55 p.198.

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12) N.C. Morse and R.S. Weiss, "The Function and Meaning of Work and the Job", American Sociological Review, Vol.20, 1988, p.191. 1955

13) Rosabeth Moss Kanter, "The new workforce meets the changing workplace", Human Resource Management, Winter 1986, Vol.25, Number 9, p.519.

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15) David Kraus, "From the Boardroom". Harvard Business Review, September-October, 1980, p.36.

16) Graef S. Crystal, "The Wacky, Wacky World of CFO Pay" Fortune, June 6, 1988, p.76.

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18) Thomas Kempner "Motivation and Behaviour - a personal view" Journal of General Management, Vol.9, No.1, Autumn 1983, p.52.

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20) James S. Overstreet, "The Case for Merit Bonuses", Business Horizons, May-June, 1985, p.56.

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24) F. Herzberg, B. Mausner, B.B. Snyderman, "The Motivation to Work". J. Wiley & Sons, Inc., 1959, pp.113-119.

25) Ibid., p.113.

26) V.H. Vroom, "Work and Motivation, J. Wiley & Sons, Inc., 1966, p.15.

27) R. Opsahl and M. Dunnette, ibid., p.99.

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