



Does Money Motivate?

This may be the second most asked question, the first being “Why do we care so much about celebrity trials?” We will not venture into the wacky world of Hollywood but this question about money and motivation has been around since the beginning of time, probably since some caveman asked, “I wonder if Tony would come in Saturday and slay another dinosaur if we gave him an extra pound of grade-A meat off the rear quarter.”

We had a group of Piggly Wiggly managers here last week to complete a customized certificate program. The last session focused on Rewards and Recognition and we gave them the following challenge. There are also questions at the end I would encourage you to give me your thoughts on.

The Challenge

You have to make salary increase recommendations for eight (8) supervisors that you manage. They have just completed their first year with your organization and are now to be considered for their first annual raise. Keep in mind that, with your salary decisions, you may be setting precedents and that you need to keep salary costs down. However, there are no formal restrictions on the amount of the raises you can give. Do not factor in any “cost of living” raise as all employees recently received an “across the board” cost of living raise.

First, as an individual, determine the percentage annual raise you will give these people. Then it might be interesting to give this challenge to some of your key people. I assure you it will generate some lively discussions.

___% **Abraham McSwain.** Abe is not, as far as you can tell, a good performer. You have checked your view with others and they also do not feel that he is effective. However, you happen to know he has one of the toughest work groups to manage. His subordinates have low skill levels and the work is dirty and hard. If you lose him, you are not sure whom you could find to replace him.

___% **Benjy Thompson.** Benjy is single and seems to live the life of a carefree bachelor. In general you feel that his job performance is not up to par and some of his “goofs” are well known to his fellow employees. Most everyone likes Benjy and he does have lots of “energy.”

___% **Clyde Jones.** You consider Clyde to be one of your best subordinates. However, it is quite apparent that other people don’t consider him to be an effective manager. Clyde has lots of family money and as far as you know he doesn’t seem to need any additional money.

___% **David Clemens.** You happen to know from your personal relationship with the Clemens family that he badly needs more money because of certain personal problems. As far as you are concerned, he also happens to be one of the best of your subordinates. For some reason your other employees do not share your enthusiasm for him and you have heard them making negative remarks about his performance.

___% **Ellie McConnell**. Ellie has been very successful so far in the tasks she has undertaken. This particularly impresses you since she has a very hard job. She needs money more than many of your other subordinates, and you are sure that they also respect her because of her effort and performance.

___% **Fred Swinnie**. Fred has turned out to be a very pleasant surprise to you. He has done an excellent job and it is generally accepted among the others that he is very capable. This surprises you because he is generally frivolous and doesn't seem to care very much about money and promotion.

___% **Greta Peace**. Your opinion is that Greta just isn't getting the job done. Surprisingly, when you check with others to see how they feel about her you discover that her work is very highly regarded. You also know that she badly needs a raise. She was recently widowed and is finding it extremely difficult to support her young family of four.

___% **Harry Gandy**. You know Harry personally and he seems to squander his money continually. He has a fairly easy job assignment and your view is that he doesn't do it particularly well. You are, therefore, quite surprised to find that several of the other new managers think that he is the best of the new group.

Questions to think about:

1. Is money a motivator?
2. If it is, how much of a % of your pay does it take?
3. How long does money last as a motivator?
4. What are the problems with money as a motivator?

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ANSWERS

This information from the “expert” is not meant to be the gospel, it is simply one person’s opinion. This information is meant to stimulate thought and dialogue on one of the most critical leadership challenges we face.

Ed Lawler from **UCLA** is probably the foremost expert on using money as a motivator and he says that he would:

Give **Ellie, Fred, Clyde, and David** a large raise
Give **Greta and Harry** a very small raise (if anything)
Give **Abe and Benjy** nothing

Professor Lawler says that most companies don’t differentiate raises enough to make money a motivator. For example, if two employees are making \$30,000 a year and the very best employee gets 3% more than the average employee----the difference is \$3.46 a day. This typically isn’t enough to:

- Motivate the best employee to continue to do more and more—or
- Motivate the average employee to do more and more to get the extra \$3.46.

Prof. Lawler said he would give Abe nothing---however, most people give Abe a raise to keep him. He concludes that this typically isn’t motivating to Abe nor any of the other employees.

There are really only three major factors to give someone a raise:

1. Reward past performance
2. Motivate future performance
3. Retain the employee

Money typically motivates neither the *best people*...nor the *best in people*. It can move the body and influence the mind...but it can’t touch the heart or move the spirit.

For money to be a motivator there must be a very clear link between:

Employee Behavior (**Effort**) and Performance Measures (**Somebody’s Judgment**)and the **Pay Raise**----this rarely happens.

There are just too many conflicts and problems of using money as a motivator.

- Too **formal of a process** (most plans are very complicated)
- Too **competitive**** (ask people to raise their hand if they think they are above average...70% of people think they are above average)
- Too **hard to define and measure performance** (Does your company really have clearly understood performance measures?)
- In addition, **secrecy** about pay raises often makes pay a **demotivator**. People tend to underestimate their pay raise relative to other employees.

I encourage your response to these thoughts. farlgroup@aol.com

Have a great day!

Please forward this on or send us the e-mail addresses of co-workers, friends or family members who might enjoy a monthly leadership thought.

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