

# Dump the Cash, Load on the Praise

By Bob Nelson

In a recent presentation to a management group of a manufacturing company, I discussed what motivates employees today. After the session, the person who brought me in gave me some feedback. He claimed that many of the people in the group didn't agree with me about what I said about money. They felt it was the top motivator for their people.

A sense of frustration overcame me. My experience has shown that money is not the main reason people work. Why is it so difficult for managers and business owners to believe this?

Certainly the research is convincing.

In studies dating back to the 1940s employees have always ranked other items such as full appreciation for work done, feeling "in" on things, and having interesting work as being more important to them in their jobs than their salary.

Study after study has shown that what tends to motivate employees to put forth their best efforts and to perform at higher levels are praise and recognition. People want to feel they are making a contribution at work, and for most individuals this is a function of having the respect of peers and colleagues, having managers who tell them when they do a good job, and being involved and informed about what's going on in their department or organization.

A 1999 survey by Mastery Works, Inc. found that of the 500 professionals questioned, 90% indicated that factors that would motivate them to stay with their current organization included respect by their manager, integrity of their manager, work/life balance, and career opportunities. Less than 30% said that comparative pay would motivate them to stay.



In another recent national survey conducted by Robert Half International, the staffing and recruitment firm, "limited praise and recognition" was ranked as the primary reason why employees leave their jobs today — ahead of compensation, limited authority and personality conflicts.

Dr. Gerald Graham, professor of management at Wichita State University, also found that money was not a top motivator. In a research study of 1500 employees in a variety of work settings, personalized, instant recognition from managers was reported to be the most powerful motivator of the 65 potential incentives he evaluated. Second was a letter of praise for good performance written by the manager.

I'm not saying money isn't important — clearly it is. We need money to pay our bills and live the standard of living to which we are accustomed. I'm also not saying money has

no motivational value. It does, and the strength of that motivation will vary over a person's life. If you are about to buy a new home, have some unexpected medical bills or have children in college, you're going to be more keenly aware of your monetary needs.

But for most of us, most of the time, once we are able to meet our monthly expenses, our attention turns to other factors that have much greater significance in our work lives:

- Feeling we are making a contribution.
- Having a manager that tells us when we do a good job.
- Having the respect of our peers and colleagues.
- Being involved and informed about what is going on in the company.
- Having meaningful, interesting work.

It is important to consider that the money employees are paid for the job they are hired to do is compensation, which should be a function of a company's compensation philosophy and its market and geographic considerations. In addition to salaries, economic incentives are becoming rights rather than rewards. As Peter Drucker points out, "Merit raises are always introduced as rewards for exceptional performance. In no time at all they become a right. To deny a merit raise or to grant only a small one becomes punishment. The increasing demand for material rewards is rapidly destroying their usefulness as incentives as managerial tools."

In some cases, cash awards have even been found to have a demotivating effect. Cecil Hill, corporate manager of improvement programs at Hughes Aircraft Company, claims, "I have found that certain aspects of the cash awards approach would be counterproductive at Hughes Aircraft. For example, cash awards would reduce teamwork as employees concentrated primarily on individual cash gains. We have also found instances where 'pay' for cer-

## Top Ten Ways to Motivate Today's Employees

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Today's employees may not need a pay raise as much as they do a personal thanks from their manager for a job well done. Following, in priority order, is the top ten list of motivators for today's employees.

- #1 Personally thank employees for doing a good job — one on one, in writing, or both. Do it timely, often and sincerely.
- #2 Be willing to take the time to meet with and listen to employees — as much as they need or want.
- #3 Provide specific feedback about performance of the person, the department and the organization.
- #4 Strive to create a work environment that is open, trusting and fun. Encourage new ideas and initiative.
- #5 Provide information on how the company makes and loses money, upcoming products and strategies for competing in the marketplace, and how the person fits into the overall plan.
- #6 Involve employees in decisions, especially as those decisions affect them.
- #7 Recognize, reward and promote people based on their performance; deal with low and marginal performers so that they improve or leave.
- #8 Provide employees with a sense of ownership in their work and the work environment.
- #9 Give people a chance to grow and learn new skills; show them how you can help them meet their goals within the context of meeting the organization's goals. Create a partnership with each employee.
- #10 Celebrate successes — of the company, of the department and of individuals in it. Take time for team- and morale-building meetings and activities.

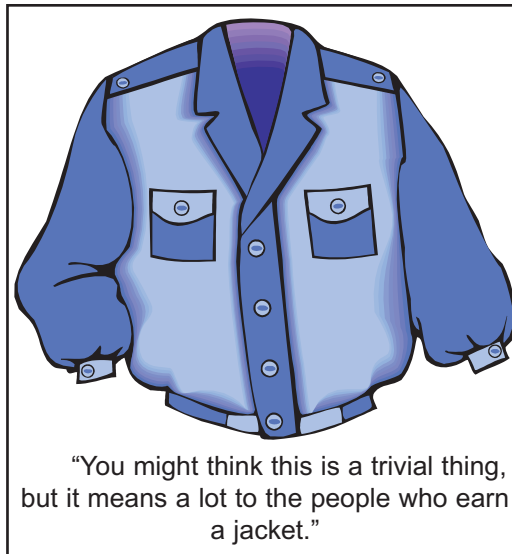
tain types of intellectual performance tends to denigrate the performance.” In short, cash awards seemed to have an overall de-motivating effect.

Recognition, on the other hand, is what you do above and beyond what people are paid to get the best effort from employees. Compensation is a right, recognition is a gift. As Rosabeth Moss Kanter points out, “Recognition has multiple functions beyond simple human courtesy. To the employee, recognition signifies that someone notices and someone cares. What is the point of going all out to do something special if no one notices and it does not seem to make a whit of difference?”

To illustrate the power of recognition on individual behavior, Daniel Boyle, vice president and treasurer of Diamond Fiber Products, Inc., describes the impact on an employee when she was presented a nylon and cotton jacket as a special employee recognition reward called “The 100 Club” in his company:

You might think this is a trivial thing, but it means a lot to the people who earn a jacket. A teller at a local bank told me once that a woman came in and proudly modeled her bay blue 100 Club jacket for bank customers and employees. She said, “My employer gave me this for doing a good job. It’s the first time in the 18 years I’ve been there they’ve recognized the things I do every day.” During those years she earned \$230,000 in wages, which had paid for cars, a home mortgage, food, other essentials, vacations, college educations. In her mind, she had provided a service for her earnings. The money wasn’t recognition for her work, but the 100 Club jacket was.

You might wonder why salaries are not enough to encourage employees to do their job. Why do you have to do more? People will do their job for what they are paid, but money will do little to get them to do their best job or to go above and beyond what you expect of them. That extra effort is more a function of how they are treated--the softer side of management--not what they are paid. In the work of management theorist Frederick Herzberg, a fair salary is considered a “hygiene” factor — something people need in order to do the jobs



they are hired to do. Hygiene factors include adequate work space, light and heat, and necessary tools such as a computer or telephone. Without any of these items, an employee will be demotivated and unable to do his job. Having all of these items, however, will enable an employee to do his job, but will do nothing to help him do the best job possible. Getting people to do their

best job is more a function of what Herzberg calls “motivators” that include praise and recognition, challenging work, and growth and development opportunities.

Paul M. Cook Founder and CEO of Raychem Corporation agrees with this belief. “The most important factor is individual recognition — more important than salaries, bonuses or promotions. Most people, whether they’re engineers, business managers or machine operators, want to be creative. They want to identify with the success of their profession and their organization. They want to contribute to giving society more comfort, better health, more excitement. And their greatest reward is receiving acknowledgment that they did contribute to making something meaningful happen.”

Another question I am often asked is, “If money isn’t a top motivator, then why do I hear about it so often?” I’ve had a chance to examine this question first-hand in several companies and have found a couple of explanations:

- 1) In some working environments people are doing jobs they don’t enjoy for managers that never show their appreciation. These employees conclude that if this is what it’s like to work here, at least they better be paid well. Money thus becomes a psychological exchange for enduring a miserable job.
- 2) In other companies I’ve found that managers only use money to thank people — for example, bonuses for completing projects, on-the-spot cash for desired behavior or an extra percentage in the employees’ annual salary increase. Unintentionally, these managers send the message to employees that unless you get cash, your contribution to the company is not important. Essentially, they train employees to expect cash as the only true form of thanks.

It’s true that some people directly correlate the amount of money they earn with their perceived worth to the organization. You need to be careful, however, that you do not just respond to those individuals who constantly ask for more money, since you need to reinforce results, not requests. Also realize that you will never get the best effort from employees just by paying them more. For employees who just want more money, they will never be satisfied with what they are paid. Their expectations will always rise with each salary increase.

Realizing that money is a basic need, managers might wonder if employees must be paid well before the non-monetary factors become motivating. This question came up at a conference keynote I was giving and I was delighted to have another member of the audi-

ence interject her experience. She found that by using positive reinforcement she was able to increase the level of performance of her employees, which led to increased sales revenues, which ultimately made it possible to pay people better. In other words, non-monetary incentives allowed the boat to rise financially for everyone.

Another way to look at the relation between money and motivation is that while on any given day most of us cannot really influence what we earn, a lot of things can have an effect on how excited and motivated we are about our jobs. How employees are treated by their managers is paramount to having them come to work energized and committed, bringing their best thinking and initiative to the job. The daily interactions management has with employees serve to either build and develop the trust and respect of employees, or to hinder and erode those factors. According to Donald Petersen, President and CEO of Ford Motor Company, “The leader needs to be in touch with the employees and to communicate with them on a daily basis.”

Ways to enhance this communication within an organization are endless. For example, each morning at Precision Metalcraft in Winnipeg, Manitoba, management holds “huddles” to pass out the days’ work assignments. The huddles end in a cheer as people disperse to get to work. Security Pacific Corporation of Los Angeles has a Question Line with a toll-free number to respond to employees’ job-related problems and questions. And all Knight-Ridder publications have “management coffee breaks,” during which each publisher meets with 20-25 employees for an hour and a half over coffee. Employees can send questions in advance.

The focus of work used to be on renting employee behavior. In fact, in some work environments people were even referred to as “hired hands.” Today, it is insufficient to sim-

ply rent the behavior you want from employees — you've got to find a way to elicit their best effort. You have to make employees feel valued so they want to do their best work on a daily basis, and to consistently act in the best interests of the organization. To be competitive, each company needs to obtain extraordinary results from ordinary people. You can achieve this by focusing more on how you treat employees. For the best results, pay them fairly, but treat them superbly.

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