

The Truth about Motivating Employees to be More Productive

What really motivates employees to be productive? Is it money? Recognition? Job satisfaction? Benefits? Opportunities? Employees are recognized as the most crucial asset of today's organizations by both practitioners and academics. Employee satisfaction is stressed as one of the most important drivers of continuous improvement and satisfied customers in most classical total quality management (TQM) literature. But what really motivates employees to be productive in their jobs? Two often mentioned motivators are money and job satisfaction. We hear that better pay motivates employees to be more productive. We also hear that "happy employees are productive employees."

But is there any truth to these sayings or are they just fictional beliefs? Anyone who has ever taken a course in social science has discovered that common sense beliefs are not always validated by scientific research. In some cases, common sense beliefs are just plain wrong. Take "opposites attract," for example. This is not true. An overwhelming amount of research indicates that we tend to be attracted to people who are similar to ourselves. Thus, "birds of a feather flock together" is true; but "opposites attract" is false. The only way to know if money and job satisfaction really influence productivity is to look at the results of scientific studies. Let's begin with what researchers have discovered about money.

Q: Does money motivate employees?

A: Yes...and no.

Not exactly a definitive answer, is it? Research studies sometimes have conflicting results. The reason has to do with the complexity of human behavior. Take for example the early research examining the relationship between viewing violent content on television and aggressive behavior in children. Early studies indicated that there was a relationship between these two variables and those children who watched violent content on television behaved more aggressively. However, there were other studies that indicated watching violent television programs did not lead to increased aggressiveness in children. Why the contradiction? Think about it. Are all children alike? Of course not. Children are different and they vary in their tendencies to behave aggressively. Some children behave aggressively on a regular basis and others will not even harm bugs they find in their homes, preferring to place them outside and set them free. Do you think viewing violent content on television has the same impact on these two types of children? The answer is "no." Children who already possess aggressive tendencies are much more likely to behave aggressively after viewing violent television programs compared to children who are low in aggressive tendencies. There is another reason why the early studies resulted in contradictory findings. The impact of viewing violent content on television is also determined by the amount of time spent watching such content. Later studies revealed that viewing violent television content over a period of years can result in greater levels of aggressive behavior in children, even in those who initially were not very aggressive.

So, what does this have to do with employees? Employee behavior is also very complex. When we ask whether or not money is a motivator we are asking a very broad question that makes predicting behavior difficult. Money is a motivator to an extent. I enjoy my work, but let's face it...how many of us would keep doing our jobs if our employers were no longer able to pay us but asked us to stay on as full-time volunteers?

Money is a crucial incentive to work motivation. It is a medium of exchange and the means by which employees can purchase things to satisfy their needs and desires. It also serves as a scorecard by which employees assess the value that the organization places on their services. Employees can also compare their value to others based on their pay. In addition to its exchange value, money also has symbolic value. John Stacey Adams, a behavioral and workplace psychologist, developed equity theory to explain this value. According to this theory, employees try to maintain equity between the inputs they bring to their job and the outcomes they receive from it. This is compared to the perceived inputs and outputs of others in the organization. The theory states that employees perceive they are being treated fairly when the ratio of their inputs to their outcomes is equivalent to other employees they work with. Fair treatment motivates employees to maintain this fairness within the relationships of their co-workers and the organization.

Reinforcement and expectancy theories also attest to the motivating power of money. According to reinforcement theory, if pay is contingent on performance, it will encourage employees to maintain high levels of effort. According to expectancy theory, money will motivate to the extent that employees perceive it as satisfying their personal goals and to the extent they perceive their pay as being dependent upon performance criteria. Some of the best evidence that money motivates employees to perform comes from the research of industrial psychologist Edwin Locke, Ph.D., who is the Dean's Professor Emeritus of Leadership and Motivation at the R.H. Smith School of Business at the University of Maryland. Locke compared four methods of motivating employee performance: money, goal setting, participation in decision making, and redesigning jobs to give workers more challenge and responsibility. He found that the average improvement in performance from money was 30%, compared to an increase in performance by 16% for goal setting, less than one percent improvement from participation in decision making, and a 17% improvement from job redesign. In addition, Locke reviewed numerous motivation studies and found that when money was used as a method of motivation it always resulted in some improvement in employee performance.

It is clear that money is a motivator of employee productivity. However, like the relationship between children's viewing of violent television content and aggressive behavior, the relationship is not a simple one. Money can motivate *some* people under *some* conditions. In order for money to motivate an employee's performance four conditions must be met.

1. Money must be important to the employee.
2. The employee must perceive money as being a direct reward for performance.
3. The employee must perceive the marginal amount of money offered for the performance as significant.
4. Management must have the discretion to reward high performing employees with more money.

It is rare for all four of these conditions to be simultaneously met. Not all employees are motivated by money to increase performance. Employees who are intrinsically motivated are unlikely to be influenced by monetary incentives. In addition, money is likely to be a strong motivator for employees who are focused on meeting lower-order needs (basic needs critical to survival) but it is not likely to affect those who have all of their lower-order needs met. This is consistent with research by psychologists Ed Diener and Martin Seligman, as well as Daniel Kahneman and his colleagues, indicating that after people have the basic necessities of life,

having more money does not increase happiness much at all. As far as the second condition goes, pay increases are often determined by community pay standards, cost-of-living, and the organization's current and future financial prospects rather than by each employee's level of performance. In today's economy, many employees are not getting raises and for those who are, the amount of increase taken home after taxes is not likely to be perceived as a significant reward for performance. Finally, managers often have only a small amount of discretion within which they can reward employees for higher performance. Thus, since it is unlikely that all of the conditions necessary to make money a motivator for higher performance will be met, it is unlikely that money can successfully be used to increase performance.

Now, what about job satisfaction? Are highly satisfied employees more productive compared to their less satisfied coworkers? For some time researchers went back and forth with their conclusions on this issue. Early research led scientists to believe that satisfaction did influence productivity but later research was unclear in regards to causal affects. As with the relationship between television violence and aggression, the relationship is complex. Fortunately, the most recent research on this question has begun to clarify the relationship. Recent researchers have benefited by having previous studies as a foundation to build on, enabling them to identify possible mediating variables. In addition, statistical techniques have continued to improve in their ability to clarify complex relationships among variables. So what are recent studies indicating?

Recent research by organizational scientist Timothy Judge and his colleagues has demonstrated that employees' overall job satisfaction is correlated with their work performance. Barry Staw and his colleagues found that employee job satisfaction predicts subsequent employee performance when other variables (such as education level and age) are controlled for. In an article published in *Organizational Behavior and Human Performance*, Muhammad Jamal reported that job *dissatisfaction* is associated with poorer work performance.

So we know that money can be a motivator, but it is unlikely that we will be able to meet all the necessary conditions to use it as such. But we also know there is a connection between employee satisfaction and performance. If we want our employees to be as productive as possible (and who does not?) then where do we go from here? How do we go about insuring that our employees are satisfied?

The answer lies in conducting our own research. We've already established that human behavior is diverse and the relationship between attitudes (such as job satisfaction) and behavior (such as job performance) are complex. The only way to know what drives the satisfaction of our own employees is to conduct employee research. I recommend finding a firm that has standardized instruments to measure employee perceptions. You could create your own, but why reinvent the wheel? Firms that employ organizational psychologists trained at the doctoral-level should not only have standardized instruments available, but should also be able to provide you with benchmarking data as well as inferential statistics to identify the drivers of your employees' behavior.

Recently the National Business Research Institute (NBRI) conducted an employee survey for a large electronics retailer. Organizational psychologists at this research firm used a method called the Root Cause Analysis to identify the items that were driving employee perceptions.

The test revealed that three of the survey items were driving employee perceptions on 62% of the total survey items. These items were:

- Management is approachable, easy to talk with.
- I am given the resources and equipment to do my job.
- Management keeps me informed about important issues and changes.

Empowered with this information, management at this company knows exactly which areas to address in order to enhance employee satisfaction and increase performance. If you would like more information on how you can identify the drivers of your employees' job satisfaction in order to increase performance, contact NBRI today at 1-800-756-6168.

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