Chapter 6: Motivation

OB in focus

Money is the key incentive to work motivation

Most organizational behaviour theorists and behavioural scientists have consistently downplayed the importance of money as a motivator. They prefer to point out the value of challenging jobs, goals and participation in decision making to stir the motivation genie. We argue otherwise here: that money is the crucial incentive to work motivation. As a medium of exchange, it is the vehicle by which employees can purchase the numerous need-satisfying things they desire. Money also performs the function of a scorecard, by which employees assess the value that the organization places on their services and can compare their value with that of others.

For the vast majority of the workers, a regular pay cheque is absolutely necessary in order to meet their basic physiological and safety needs. Money has symbolic value in addition to its exchange value. People use pay as the primary outcome against which they compare their inputs to determine whether they are being treated equitably. In addition, expectancy theory attests to the value of money as a motivator. Specifically, if pay is contingent on performance, it will encourage workers to put in high levels of effort. Consistent with expectancy theory, money will motivate to the extent that it is seen as being able to satisfy an individual's personal goals, and reward is perceived as being dependent on performance criteria. The evidence demonstrates that money may not be the only motivator, but it is difficult to argue that it does not motivate!

Money doesn't stir the motivation genie!

There is no doubt that money can motivate some people under some conditions, so the issue is not really whether money can motivate. The more relevant question is, does money motivate most employees in the workforce today to higher performance? The answer, some organizational theorists argue, is 'No'. For money to motivate an employee's performance, certain conditions must be met. First, money must be important to the employee. Second, the employee must perceive the money as being a direct reward for performance. Third, the employee must consider the marginal amount of money offered for the performance to be significant. Finally, management must have the discretion to reward high performers with more money.

Since not all these conditions apply in all employment situations, money is not important to all employees. High achievers, for instance, are intrinsically motivated. Money should have little impact on these people. Money is relevant to those individuals with strong lower-order needs, but the lower-order needs of many employees are substantially satisfied. Money would motivate if employees perceived a strong link between performance and rewards in organizations. However, pay increases are far more often determined by levels of skills and experience, the national cost of living index, union–management pay bargaining and the firm's overall financial prospects, than by individual performance. In theory, money might be capable of motivating employees to higher levels of performance, but most managers do not have much discretion to match individual pay with individual performance levels.

Sources: K. O. Doyle (1992) 'Introduction: money and the behavioural sciences', *American Behavioural Scientist*, July, pp. 641–57; S. Caudron (1993) 'Motivation? Money's only no. 2', *Industry Week*, November 15, p. 33; B. Filipczak (1996) 'Can't buy me love', *Training*, January, pp. 29-34.