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## How *Money* Motivates *Men*

FOR MANY corporations, payroll represents the major cost of doing business. More than 50 per cent of our gross national product is paid each year to employees for their time and effort. And yet the expenditure of this vast sum of money, presumably to motivate men, has been subjected to surprisingly little research, and to even less theoretical discussion. Those studies that have been made of compensation are generally of the survey variety; they emphasize *what* is being done, not *why* it is being done, or what *should* be done. How to get the most out of each payroll dollar is seldom studied.

Modern management is deeply concerned with the motivational impact of financial incentives. It no longer trusts the attitude of the old-line foreman who told me, "But money does work. Just put an extra dollar in that guy's pay check—or take the dollar away—and you'll see what effect it has." In too many com-

panies—companies with high wages, profit sharing, elaborate benefit programs, and incentive systems—money has not worked. Consequently, responsible managers are asking:

Is our wage and salary level adequate? And what determines an "adequate" level?

How about our sales bonus—what effect does it have?

Is our management incentive plan paying off?

What is the value of a stock option plan?

Will profit sharing work for us?

Just how motivational is our benefit program?

And how about our entire compensation package? Does it have an optimum balance of base salary, incentive payments, protective provisions, benefit plans, and perquisites?

To tackle questions such as these, one must have a basic understanding of what money means and how it motivates men. With this understanding, a compensation program can be designed so as to achieve maximum motivation at lowest possible cost—in both human

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and financial terms. In this way, the needs of employees can best be met and the attainment of corporate objectives best ensured.

### HUMAN MOTIVATION

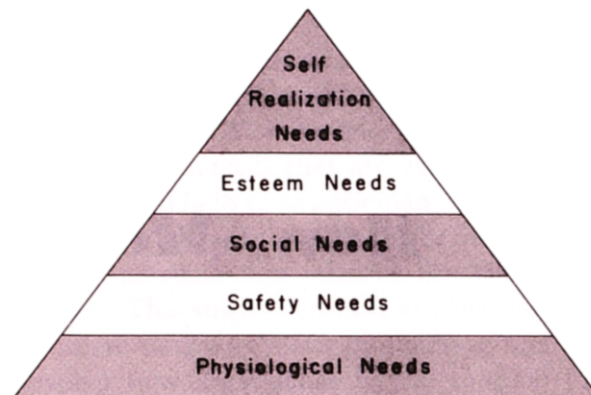
Traditionally, compensation practices have been based on the classic economic theory that man is a rational animal motivated by the desire to maximize his economic gains. This premise has given rise to the belief that employees can automatically be motivated to produce more by the promise of additional money. As a theory, this economic concept of man has often been decried; its limitations have repeatedly been exposed (for example, even under piecework incentive systems output is often restricted); yet it still forms the basis for most of our compensation practices today.

A psychological theory of motivation, first advanced by Maslow,<sup>1</sup> provides better insight into the dynamics underlying human behavior. The essence of this theory is well illustrated in the famous anecdote about Samuel Gompers, for a long time president of the American Federation of Labor. When Gompers was asked, "Just what do the trade-unions want?" he replied, "More!" His answer goes beyond union philosophy; it sums up all human motivation. *Man always wants, and wants more.* As Maslow has phrased it, "Man is a wanting animal."

Two further principles are of basic importance in Maslow's theory. One is that man's wanting depends completely on what he already has. *Satisfied needs do not motivate behavior.* Only needs not yet gratified exert any considerable force in influencing what we do. The other principle is that *needs and wants are arranged in a hierarchy of importance.* As soon as needs on a lower level are fulfilled, those on a higher level emerge and demand

satisfaction. When man operates at these higher levels, classic economic theory gives a very incomplete picture of human motivation.

The hierarchy of needs is arranged in a pyramid of five levels, from basic physiological drives at the bottom to the desire for self-realization, the highest expression of the human spirit, at the apex. Graphically, these need levels can be arranged thus:



To fill out this diagram, a brief description follows for each need level.

#### *Physiological Needs*

The physiological needs are the needs for oxygen, food, drink, elimination, sexual satisfaction, rest, activity, and temperature regulation; these are the basic drives of human behavior. If a person is really deprived of any of them (with the possible exception of sexual activity), he will bend every effort to satisfy this need. The starved man thinks only of food, wants only food, perhaps hallucinates about food, and so directs all his behavior to obtain food. Similarly, the drowning man wants only to breathe; an overworked executive yearns for sleep; the consuming public buys air-conditioners during a heat wave. Even the sexual needs, which from the standpoint of survival are comparatively mild, can completely dominate the behaving organism.

Once these needs are satisfied, however, they cease to be important motives for behavior. How many people think about their need for air except when they are deprived of it? Food and drink, sleep and activity needs, at

<sup>1</sup> For a more complete presentation of this theory, together with considerations and qualifications that must be omitted here, see A. H. Maslow, *Motivation and Personality* (New York: Harper & Brothers, 1954), especially pp. 80-106.

least in American civilization, are so readily satisfied that they do not often dominate our goal-seeking. On the other hand, sex receives so much emphasis in our culture because it is the one physiological need not always satisfied. To the extent, then, that basic needs are satisfied, they cease to motivate behavior, and new and higher needs emerge, demanding satisfaction in their turn.

### *Safety Needs*

The safety needs are directly above the physiological in this hierarchy. These include the need for protection from physical danger (fire, accidents, criminal assault, and so forth); for economic security (by means, for example, of various social insurances); for the familiar rather than the unfamiliar; and for a religious, philosophic, or scientific ordering of the chaotic into a meaningful whole. R. K. Burns<sup>2</sup> has described these as needs for economic security and emotional surety.

The healthy adult in our society feels at least a minimal satisfaction of his safety needs, and consequently their motivating force is a diminished one. But we have only to turn to the child or the neurotic to see how all-important safety needs can be. A child confronted with a new or strange situation may panic and cling to his mother for security. The neurotic, threatened by anything unexpected or unfamiliar, will go to great lengths to hedge his world in with familiar symbols of safety. And even with healthy adults, to judge by collective bargaining demands, protection against the risks of old age, sickness, and unemployment are important motives for behavior—once a living wage, that is, provision for food and drink and shelter, has been provided.

### *Social Needs*

Love, affection, and “togetherness” seem most important to the individual who has satisfied his physiological and safety needs. Now he

wants to belong, to find acceptance, to be part of a group. Deprived of family and friends, he will feel the need for them with all the intensity of a hungry man for food.

Unlike physiological and safety needs, social needs are not readily satisfied in our culture. The flight from the family farm and small town community, often to impersonal urban centers, and our traditional taboo on tenderness have helped to prevent fulfillment of these needs. Consequently, social needs have become a dominant motivating force in the United States. Incentive workers who restrict output in accordance with group pressures are motivated by this powerful need to belong. For the same reason, some young people develop a loyalty to their gang that yields to no outside pressure.

These instances are relatively new expressions of ways in which Americans are trying to compensate for the loss of social roots that once gave them their sense of belonging. Social needs, comparatively unsatisfied, have become primary motives for much of our behavior.

### *Esteem Needs*

Next in the hierarchy of needs are those relating to esteem, both self-esteem and the esteem of others. The need for self-esteem includes the desire for personal worth and dignity, for strength, for competence, achievement, and mastery, for independence and freedom. The need for the esteem of others includes desires for attention and recognition, for status, prestige, and reputation, for importance and power.

These needs are obviously important determinants of behavior. The very real need of “keeping up with the Joneses,” of joining the best club, of getting the better office, of driving the right car, or of having a socially acceptable address—all these are manifestations of needing the esteem of others. Self-esteem, too, takes various forms: for example, the need to feel the importance of one’s work or to take a stand on some moral issue.

<sup>2</sup> Robert K. Burns, “Management and Employee Motivation,” *Public Personnel Review*, I (April, 1959), 122-27.

Esteem needs are capable of satisfaction in the American culture, but generally a good deal of effort is required to ensure their gratification. Accordingly, fulfilling the needs for esteem is today an important motivating force in our behavior.

### *Need for Self-Realization*

Self-realization is the ultimate in the hierarchy of needs. In the language of philosophy, it entails the fulfillment of one's highest potential. It refers to doing or being what one can do or be; it requires making use of all one has, to become everything that one is capable of becoming.

As human potentials vary from individual to individual, so must self-realization. Advancing nuclear theory, writing poetry, playing golf, managing an enterprise, or being an ideal mother can all be expressions of self-realization. The one characteristic underlying all these activities is fulfillment of capacity, whether that capacity is large or small.

Examples of self-realization are rare. We may conclude, I am sure, that no human being has ever fulfilled all his potential. Maslow cites Abraham Lincoln and William James, among others, who have come relatively close to self-realization. As more people have their lower needs more and more satisfied, it can be predicted that a greater number will work towards fulfilling their potential. This, in fact, may be considered the ultimate test of any civilization: To what extent does it give its citizens the opportunity for self-realization?

## QUALIFYING FACTORS

### *Multiple Motivation*

Activity generally involves several sources of driving power; often many needs interact to bring about a given bit of behavior. An act of love, for example, may be motivated by needs for affection, for dominance, for self-realization, as well as for sexual release. The discussion of a need hierarchy, therefore,

should not be taken to imply that a lower need level is the sole motive for all behavior until completely satisfied, at which point the next need emerges and dominates behavior until in turn it is satisfied. Need levels are indications of relative, not absolute, importance. To quote Maslow: ". . . if prepotent need A is satisfied only 10 percent, then need B may not be visible at all. However, as this need A becomes satisfied 25 percent, need B may emerge 5 percent, as need A becomes satisfied 75 percent, need B may emerge 50 percent, and so on."<sup>3</sup> Behavior is effected by multiple and interacting needs, arranged in a rough hierarchy of prepotency.

### *Frustration*

The motivation theory we have described so far is essentially a positive one. We have considered only goal-directed behavior, that is, activity oriented *towards* a goal. Goal-seeking of this simple type calls forth relatively rational and logical behavior to achieve the desired end result.

But it should be noted that seldom is human activity so neatly ordered. Generally, something complicates our goal-seeking. This barrier calls forth two basic types of behavior: ingenious attempts to solve the problem, or frustration. In human affairs, the latter is frequently the case; in fact, most theories of human motivation, including Freud's theory, have dealt largely with frustration-instigated behavior.

Frustration evokes the emotional reactions of aggression, regression, fixation, and assorted defense mechanisms. Behavior that was formerly orderly and rational becomes disorganized and emotional; instead of bending his behavior towards a goal, the individual must cope with emotions aroused by fleeing from the barrier. If the attempt to cope with these emotions is radically unsuccessful, neurosis or psychosis may result. Eventually, psychotherapy may be needed to probe beyond the emotional reactions of the individual, reach the

<sup>3</sup> *Motivation and Personality*, p. 101.

original barrier or barriers, help to resolve it or them, and so set the behaving organism on the positive road to goal-seeking once again.

While such extremes as these are not the common experience of industrial organizations, modified forms of frustration-instigated behavior do occur. One form is responsible for a militant union's fighting for more money and bigger benefits when it has already secured the best pay in the area. Frustrated in satisfying higher needs, the men (and their union) have regressed to a previously satisfying form of behavior—that is, the original satisfaction of their physiological and safety needs. As labor history so pointedly illustrates, no additional amount of money will satisfy them now, though they will continue to expend their efforts in this direction. Instead, the frustrating barriers to the satisfaction of social and esteem needs must be removed in order to cancel out these negative expressions of militant unionism.

As Likert's modified theory of management<sup>4</sup> points out, these patterns of negative behavior exist throughout the echelons of management too. Frustrating an executive's need for status by, for example, a reduction in office appointments or window space, can be just as damaging as cutting his pay. He will react negatively and emotionally. But to take a less obvious example, consider the frustration of such a need as pride in the significance of one's job; if this need is not fulfilled, the resulting vague discontent may motivate the executive to seek a higher salary as an indication of his worth, while the true cause of his discontent remains unaltered. Instances of this sort are too numerous to list. But the main point deserves emphasis: Money substitutes in an imperfect way for the satisfaction of certain higher needs. A man who has these needs frustrated cannot be truly satisfied or motivated by a raise in pay since money cannot buy what he wants.

<sup>4</sup> For a popular presentation of this theory, see the interview with Rensis Likert, "How to Raise Productivity 20%," *Nation's Business*, XLVII (August, 1959), 30-32, 40, 42-44.

### *Functional Autonomy*

Another aspect of human motivation that has special relevance to money is the curious phenomenon known as functional autonomy. Briefly stated, this is the idea that goals once desired as means to an end can become goals desired for their own sake. A miser, for example, may once have valued money for the physiological and safety needs it satisfied, but eventually he came to regard money as valuable in its own right.

This concept helps explain why a Rockefeller, a Carnegie, or a Getty may work to his death accumulating wealth that he can never spend. Money no longer serves as an exchange symbol for such men; it has become functionally autonomous, divorced from the original reason for its value.

In most organizations there are employees, especially in the upper echelons, for whom money and money-making have become functionally autonomous. For such individuals, money has a direct significance not dependent upon its purchasing power. It is in itself the most powerful incentive, for it directly satisfies their dominant needs.

### *Employee Surveys*

Psychologists in industry have conducted many studies asking workers what they want from their jobs.<sup>5</sup> Such surveys typically produce the following results: In order of importance the items most wanted are steady work; opportunity for advancement; good supervision; desirable work group or companions; good pay; and desirable type of work, working conditions, hours, and benefits.

According to the theory proposed in this paper, those needs at the bottom of the ranking, hours and benefits, are relatively well satisfied, whereas those at the top of the list, such as steady work, are not. Such surveys, in other words, indicate those needs that are dominant because they are not fulfilled.

<sup>5</sup> See, for example, C. E. Jurgensen, "What Job Applicants Look for in a Company," *Personnel Psychology*, I (Winter, 1948), 433-35.

Obviously, certain factors will affect these surveys. Results will vary from organization to organization, from echelon to echelon; age and sex may influence them. The manager interested in meeting the needs of his workers will take an individual reading on the deprivations that his work force feels and adjust his employee relations program accordingly.

Wage and salary administrators, too, need to be aware of these factors. As Meiklejohn has pointed out,<sup>6</sup> different financial needs are characteristic of different employee levels in an organization. Attempting to meet these needs with uniform compensation practices makes inefficient use of money-motivation. Ideally, needs should be identified for each group through such a technique as a depth survey; then the compensation package should be adjusted to meet these needs. The results may range from supplemental unemployment benefits for the rank and file to stock options for top management. Maximum motivation at lowest cost is the desired end result.

#### THE MEANING OF MONEY

How does all this theory relate to the role of money in motivating behavior? What does compensation represent to its recipients? What needs does it fulfill?

Obviously, the first meaning of money lies in its power to buy satisfaction of the basic physiological needs—food, clothing, and shelter. Closely allied to these basic needs are certain acquired needs with a physiological basis, such as the need for tobacco. It is only after these fundamental drives have been relatively well satisfied that any major amount of money will be diverted towards other goods.

Next in the hierarchy of needs is the category termed safety, a major expression of which, in today's culture, is the need for financial security. Here money represents insurance against physiological deprivation and against the financial hazards of poor health,

old age, and unemployment. Collective bargaining demands for security, as well as such common phenomena as buying life insurance and "putting away for a rainy day," are obvious examples of using money to satisfy safety needs.

Money can also facilitate satisfaction of the social needs, the third level in the hierarchy, but only indirectly. Thus one can purchase membership in a country club, but the actual exchange of friendship and love does not necessarily result. The biggest benefit of money at this level lies in freeing the individual from the insistent clamor of his physiological and safety needs so that he can attend to his social wants.

The situation is different in the case of the esteem needs. The American way of life has stressed money as the measure of status and achievement. Hence it has become most important to the satisfaction of esteem needs. The extent to which this is ingrained in our sense of values can be seen not only in one man's evaluation of another on the basis of his financial show, but even in the dependence of his concept of himself on the amount of money he makes. Many men, in other words, are willing to accept their salary as the indication of their worth. Compensation has become important on this level not only for what it buys, but also for what it means, both in judging one's self and one's neighbor.

What about self-realization at the peak on the need pyramid? Money is of little importance in gaining fulfillment at this level; it can do no more than remove obstacles to self-realization. Here the role of money is to satisfy the physiological and other needs so that the individual is free to devote his efforts to fulfilling his potential.

From the preceding paragraphs it can be seen that money is efficient in satisfying needs at the lower levels since it can be quickly and directly converted into ways and means of satisfying individual wants. A great variety of foods, clothes, and shelter arrangements can be bought. But at higher levels in the hierarchy, the situation is more complicated.

<sup>6</sup> Robert P. Meiklejohn, "Financial Incentives Beyond Base Pay," *Management Record* (May, 1958), pp. 165-70.

Man's striving for money, once his basic needs are satisfied, often becomes a substitute for the true satisfaction of his higher needs. It might be instructive at this point to examine how this happens, and what can be done about it.

Offering a money wage to an employee is based on much the same principle as dangling a carrot in front of a donkey. High wages are a reward for productive work. Conversely, withholding money by demoting or firing the employee is a form of punishment for poor work, much like the cancellation of a child's treat. This system of rewards and punishment is effective at lower need levels since the gratification of physiological and safety needs is largely dependent on buying outside sources of satisfaction. When a man is motivated by these needs, he can be controlled by the granting or withholding of money. But the source of satisfaction for higher needs lies within each individual. The man motivated by social or esteem or self-realization needs is not easily controlled by external rewards and punishments; consequently, money per se is a relatively weak motivating force. As D. M. McGregor puts it: ". . . direction and control are useless methods of motivating people whose physiological and safety needs are reasonably satisfied and whose social, egoistic, and self-fulfillment needs are predominant."<sup>7</sup>

People in many walks of life are motivated to work by incentives other than money. The dollar-a-year men in Washington, religious leaders, scientists and academicians, dedicated trade-unionists, and creative artists take pride in the significance of their work; they attach personal and social values to it. Within the large corporation, too, there are many who will respond as readily to work of intrinsic interest and value as to financial rewards, which are always extrinsic to any job.

This means two things to management:

1 Do *not* rely exclusively on further increases in wages and security benefits to mo-

tivate employees, once adequate wages and benefits have been established.

2 Do create conditions conducive to a man's satisfying his social and esteem and self-realization needs on the job.

For management the important conclusion to be drawn from the whole theory is that no one incentive is the only answer to motivating men on the job. Money is powerful, but its power is limited. Aiding group activities, creating opportunities, recognizing worth, encouraging growth, and fostering individual expression can also promote employee effort, in some cases more effectively than money. It is the responsibility of management to understand those factors that motivate their men, and to arrange conditions and methods of work so that employees can best achieve their own goals by directing their efforts towards organizational objectives.

#### PRACTICAL APPLICATION

This money-motivation theory can be used to evaluate any compensation device and to help determine how to maximize its motivational impact. Let us take, as an example, a management incentive plan. The questions basic to our study are:

How well is this management incentive plan attracting, retaining, and motivating superior men?

Is it successful? Are its returns greater than its costs to the corporation?

How can this management incentive plan be improved?

Specific hypotheses may be formulated from the money-motivation theory set out in the preceding paragraphs. It is obvious from the following list that all these hypotheses cannot be true at one and the same time. The aim here is to cover every possibility.

#### Positive motivation

Incentive awards primarily represent purchasing power to recipients (physiological need level).

<sup>7</sup> D. M. McGregor, "The Human Side of Enterprise," in *Adventure in Thought and Action* (Cambridge: Massachusetts Institute of Technology, 1957), p. 28.

Incentive awards primarily represent financial security to their recipients (safety need level).

Incentive awards primarily indicate the participants' belonging or participating or contributing to the corporate welfare (social need level).

Incentive awards primarily confirm one's own sense of achievement for a job well done (self-esteem need level).

Incentive awards primarily indicate recognition of one's contribution to the corporation (other-esteem need level).

Incentive awards primarily encourage the recipient to fulfill his potential (self-realization need level).

#### Negative motivation

Reducing or withholding incentive awards (for mediocre performance) increases the intensity of positive need gratification.

Reducing or withholding incentive awards (for mediocre performance) produces frustration effects inimical to the accomplishment of the plan's objectives.

It should be clear from the first part of the article that a given hypothesis might be true for one group—stratified according to executive level, job function, salary, and so on—and not for another. Accordingly, data to test the truth or falsehood of the hypotheses must be collected in sufficient depth and breadth to permit detailed analysis in every dimension.

Three stratified random samples of management personnel, distinct but comparable, should be selected for depth interviews, survey questionnaires, and projective sentence-completion forms, respectively. These techniques should be designed so that they indicate how participants feel about their management incentive plan, how they think it affects their behavior and the behavior of their superiors, peers, and subordinates, and what they suggest to improve it.

All three investigatory techniques should be so ordered as to yield information pertinent to

the hypotheses listed above. In this way each hypothesis could be supported or denied by the data, and the degree of support or denial indicated. In addition, the validity of each hypothesis could be determined for specific groups of participants stratified according to such dimensions as age, income, echelon, and function within the corporation.

As a result of all this information, the management incentive plan could be tailored to the express needs of management personnel—and of the corporation. In this way, both personal and corporate objectives could be more perfectly realized, with profit for both parties.

RESULTS FROM the research outlined above could help shed light on one of the questions raised in the introduction to this article: "Is a given management incentive plan paying off?" Similarly, this approach could be used to structure research on other questions related to money and motivation; the efficiency of any compensation device could be studied in this way.

The prototype described in the previous section could, moreover, serve as a model in the study of an entire compensation program. All elements in the package—base pay, incentive plans, protective provisions, benefit programs, and perquisites—could be evaluated in their relationship one to another. Then if it were found that a given level of employees was primarily motivated by physiological needs, great emphasis could be placed on base pay; by safety needs, on protective provisions; by esteem needs, on perquisites.

Thus, through an understanding of what needs were motivating men and how money could be used to satisfy them, the compensation program could be so ordered as to achieve maximum motivation at lowest possible cost; the needs of each individual would best be met, and the attainment of corporate objectives best ensured.