

# PERSONNEL JOURNAL

## ■ Rewards That Motivate

# Dump the Cash, Load On the Praise

An employee does a top-notch job with a tricky project and you want to acknowledge her hard work.

So what's it going to be? A cash bonus? Author of "1001 Ways to Reward Employees" explains why this actually may demotivate and reinforce the idea that no dollars equals no thanks.

By Bob Nelson

**D**o you think money is the best reward? Many people do. After a recent presentation, I received some interesting feedback. I was discussing what motivates employees today with a management group from a Vancouver manufacturing company. After the session, the person who had invited me to speak pulled me aside. He claimed several people in the group didn't agree with what I said about money: *They believed it's the top motivator for their people.*

A sense of frustration overcame me. My experience has shown that money isn't 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 always have ranked other items—such as being shown appreciation for work done, feeling "in" on things and having interesting work—as being more important to them than their salaries. In the "1994 National Study of the Changing Workforce," conducted by the Families and Work Institute in New York City,

"open communication" was ranked highest by respondents asked to list items they had considered to be "very important" in choosing their current jobs. Everyone wants to know what's going on—especially as it affects them—so simply sharing information is motivating. Salary was ranked 16th.

In a recent national survey conducted by Robert Half International, a staffing and recruitment firm based in Menlo Park, California, "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 in Wichita, Kansas, also found that money wasn't a top motivator. In a research study of 1,500 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:

**Money has its value.** I'm not saying money isn't important—clearly it is.

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We need money to pay our bills and maintain the standard of living to which we're accustomed. I'm also not saying money has no motivational value. It does, and the strength of that motivation will vary throughout a person's life. If you're about to buy a new home, have 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're able to meet our monthly expenses, our attention turns to other factors that have much greater significance in our work lives:

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

Granted, of the 16 employees who report to me, one clearly is motivated primarily by money. When this person finished a significant project for the company, I remember her response when I wanted to do something special to thank her. She told me she didn't want a plaque or an award. As a token of thanks the only thing she desired was a bonus. Since people are motivated by different things, I gave her a bonus. But I also gave her a dozen roses at a company meeting—because recognition isn't just for the person who performed well, it's also a message to other employees about the type of performance that gets noticed in an organization. According to management

consultant Rosabeth Moss Kanter, based in Cambridge, Massachusetts: "To the rest of the organization, recognition creates role models and heroes—and communicates the standards: These are the kinds of things that constitute great performance around here."

### Cash awards have some defi-

## Top Ten Ways To Motivate Today's Employees

**T**oday's employees may not need a pay raise as much as they need a personal thanks from their manager for a job well done. Following, in priority order, is the top-ten things to do to motivate today's employees.

- 1) Personally thank employees for doing a good job—one on one—verbally, in writing or both. Do it in a timely manner, 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 about how the company makes and loses money, upcoming products, strategies for competing in the marketplace and how the person fits in with the overall plan.
- 6) Involve employees in decisions, especially when those decisions affect them.
- 7) Provide employees with a sense of ownership in their work and the work environment.
- 8) Recognize, reward and promote people based on their performance. Deal with low and marginal performers so they either improve or leave.
- 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.

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**nite drawbacks.** The key point is that the money employees are paid for the job they're hired to do is *compensation*, which should be a function of a company's compensation philosophy as well as its market and geographic considerations. Increasingly, such economic incentives are becoming rights rather than rewards. In his book "Management:

Tasks, Responsibilities, Practices," management guru Peter Drucker of The Claremont Graduate School in Los Angeles points out: "Merit raises always are 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 a punishment. The increasing demand for material rewards rapidly is destroying their usefulness as incentives and managerial tools."

In some cases, cash awards even have been found to have a demotivating effect. Cecil Hill, corporate manager of improvement programs at Hughes Aircraft Co. based in Los Angeles, claims in a Spring 1989 article in *National Productivity Review*: "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 also have found instances in which 'pay' for certain types of intellectual performance tends to denigrate the performance." In short, cash awards seemed to have a demotivating effect overall.

### Recognition boosts employees' esteem and performance.

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," Kanter points out. "Recognition has multiple functions beyond simple human courtesy. To the employee, recognition signifies that someone notices and someone cares. What's the point of going all out to do something special if no one notices and it doesn't 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. in Thorndike, Massachusetts, tells an anecdote in a *Harvard Business Review* March-April 1987 article. The story relates the impact on

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an employee when she was presented with a nylon and cotton jacket as a special employee recognition reward called "The 100 Club." "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'd earned \$230,000 in wages, which had paid for cars, a home mortgage, food, other essentials, vacations, college educations. In her mind, she'd provided a service for her earnings. The money wasn't recognition for her work, but the 100 Club jacket was.

### Salary alone isn't a motivator.

You might wonder why salaries aren't enough to encourage employees to do their jobs. Why do you have to do more? People will do their jobs for what they're paid, but money will do little to get them to do their best work or to go above and beyond what you expect of them. That extra effort is more a function of how they're treated—the softer side of management—not what they're paid. In the work of management theorist Frederick Herzberg, a fair salary is considered a "hygiene" factor—something people need as an incentive to do the jobs they're 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, employees will be demotivated and unable to do their jobs. Having all of these items, however, will enable employees to do their jobs but will do nothing to help them do the best job possible. Getting people to do their best work is more a function of what Herzberg calls "motivators." These include praise and recognition, challenging work, and growth and development opportunities.

Paul M. Cook, founder and CEO of Raychem Corp. based in Menlo Park, California, 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."

So, as people sometimes ask me, "If money isn't a top motivator, then why is it all I seem to hear about from my employees?" I've had a chance to examine this question firsthand 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 who never show their appreciation. These employees conclude that if this is what it's like to work here, at least they ought to 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 awards 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 isn't important. Essentially, they train employees to expect cash as the only true form of thanks.

It's true 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 don't just respond to those individuals who constantly ask for more money, since you need to reinforce results, not requests. Also realize that you'll never get the best effort from employees just by paying them more. For employees

who just want more money, they'll never be satisfied with what they're paid. Their expectations always will rise with each salary increase.

Realizing that money is a basic need, managers might wonder if employees must be paid well before the nonmonetary factors become motivating. This question came up during a conference

keynote presentation I was giving, and I was delighted to have another member of the audience interject his experience. He found that by using positive reinforcement he was able to increase the level of performance of his employees, leading to increased sales revenue, which ultimately made it possible to pay people better. In other words, the use of nonmonetary incentives allowed the boat to rise financially for everyone.

**Motivation is its own reward.** Another way to look at the relation between money and motivation is that while on any given day most of us

can't significantly influence what we earn, a lot of things can have an effect on how excited and motivated we are about our jobs each day. 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 Co. in Dearborn, Michigan: "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 in Canada, 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

**Employees wonder: What's the point of going all out if no one notices and it doesn't seem to make a whit of difference?**

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Corp. of Los Angeles has a Question Line with a toll-free number to respond to employees' job-related problems and questions. And all Washington, D.C.-based Knight-Ridder publications have management coffee breaks, during which each publisher meets with 20 to 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 even were referred to as "hired hands." Today, it's insufficient to simply rent the behavior you want from employees—you've got to find a way to elicit their best effort. To be competitive, each company needs to obtain extraordinary results from ordinary people. 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. You can achieve this enhanced level of energy and initiative by focusing more on how you treat employees rather than how much more you will pay them. For the best results, pay them fairly, but treat them superbly. ■

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