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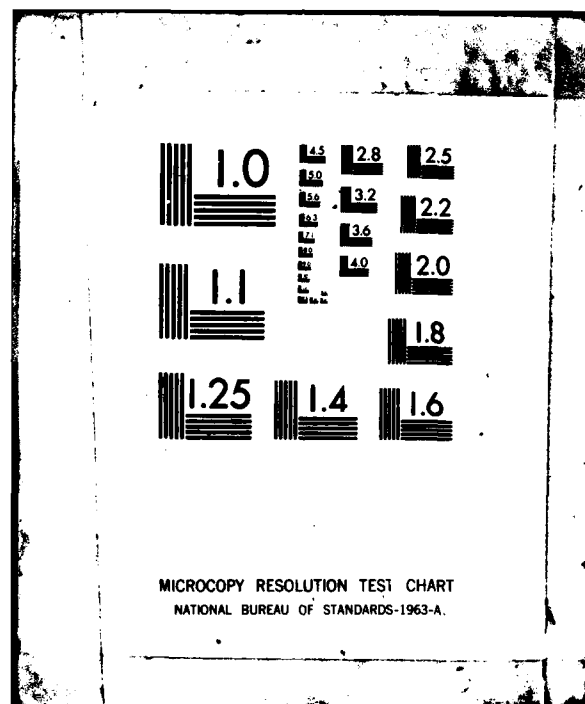
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THE CHANGING ROLE OF MONEY AS A MOTIVATOR

BY

JAMES E. CHAMBERS
LTC US ARMY

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ABSTRACT

The purpose of this paper is to examine the popular theories of motivation and determine the role of money in motivating people. The information contained herein is an amalgamation of library research. This paper analyzes several of the more prominent theories of motivation and evaluates the position or relationship money has in each theory as a factor in motivating human endeavor. Based on this analysis, the author concludes that money alone will not achieve a motivated work force. Money is a potent factor to be considered in motivating employees, but today's manager must be aware of and use a comprehensive range of tools and techniques to motivate the modern worker.

CHAPTER I

INTRODUCTION

Contrary to the general opinion, the sinews of war are not gold, but good soldiers; for gold alone will not procure good soldiers, but good soldiers will always procure gold.

- Machiavelli -

Years ago, and, to a great extent today, primary management functions were accomplished by military and civilian managers under an authoritarian-based management method. Managers are now finding that basic authoritarianism is no longer acceptable in its traditional sense. Factors which created an environment in which authoritarianism could flourish no longer exist. Today's work force has evolved from an early-day, uneducated, must-be-led mass of individuals to a current-day technological and information oriented populace. From a motivation standpoint, the qualitative increase of educated individuals has transformed the work force into an inquiring, information-seeking, sophisticated group.

The military establishment has transisted from the draft to an All Volunteer Force (AFV). No longer does the draft provide the motivator for young people to enter the service. The military today is a competitor with private enterprise in the personnel market and had been required to adjust its recruitment and retention philosophies accordingly.

The manager, regardless of whether he is civilian or military, is faced with an enigma. A foreman for General Motors, the commander of an infantry battalion, or a supervisor at an Army depot face basically the same kinds of problems in achieving an effective work force. The president of a large corporation and the commander of a military headquarters face similar problems in obtaining maximum production and loyalty from their staff personnel. The work force that is poorly motivated normally exhibits lower productivity, poorer quality, more numerous grievances, and increased turnover when compared with a highly motivated work force.

A manager's task, simply stated, is to accomplish organizational goals by working with and through individuals and groups (8: p.3). If managers are to influence and modify an organization's behavior, they must influence and modify the composite behavior of all the individuals within the organization. In the past, managers have been hampered in their attempts to innovate with respect to the human side of organizations. This has been caused in part by a lack of knowledge and understanding as to what makes a worker work.

We are, today, in a period when the development of theory within the social or behavioral sciences will permit innovations in management approaches which were inconceivable in the past. The capacities of the average human being for creativity, for growth, for collaboration, and for productivity are far greater than has been recognized. The modern manager, if he is to succeed in today's competitive world, must make himself aware of the ways and means through which a worker can be motivated effectively. Reliance can no longer be placed solely on position-authority or tenure to maintain an effective goal-oriented work force. An understanding of motivation theories is an indispensable tool of the effective manager.

It is the purpose of this paper to describe briefly some of the traditional and modern theories of motivation and to examine the role of the "old reliable," money, as a motivator in these theories of motivation. The effectiveness of money as a motivator in today's work environment will be discussed and some normative viewpoints on monetary motivators will be presented.

CHAPTER II

TRADITIONAL THEORIES OF MOTIVATION

Motivation may be defined as the complex of forces starting and keeping a person at work in an organization. It is something that moves the person to action, and continues him in the course of action already initiated (3: p. 213). Motivation is the will to do. The motivation of a person depends on the strength of his motives. To the manager, the purpose of attempting to motivate an employee is to direct or modify the employee's behavior into the channel or direction necessary to accomplish the firm's goals.

The rational-economic view of man has shaped the approach organizations have traditionally taken in motivating their members. The theory of the rational-economic man has its roots in the philosophy of hedonism and in the economic doctrine of Adam Smith (14: p. 55). This theory revolves around the concept that man is primarily motivated by economic incentives and will do that which gets him the greatest economic gain. Since economic incentives are under the control of the organization, man is essentially a passive agent to be manipulated, motivated, and controlled by the organization. Ultimately, the doctrine of rational-economic man classified human beings into two groups — the untrustworthy, money-motivated, calculative mass and the trustworthy, more broadly motivated, moral elite who must organize and manage the mass.

The classical theory of motivation was an outgrowth of the principles of scientific management which were developed by Frederick C. Taylor (11: p. 292). Taylor's set of ideas were the first application of managerial thinking in the United States and occurred around 1911. This theory also relied heavily on the concept of the rational-economic man in explaining why men perform as they do. The classical theory, very simply stated, is that if enough money incentive is offered to the worker for productivity, he will be motivated to produce more because of the financial gain involved (4: p. 357).

A continuation of the concept of man as a materialistically oriented being can be found in Douglas McGregor's Theory X. This theory is based on the following concepts:

- A. The average human being has an inherent dislike of work and will avoid it if he can.
- B. Because of this human characteristic of dislike for work, most people must be coerced, controlled, directed, threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
- C. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, wants security above all (12: pp. 33-35).

Because man's natural goals run counter to those of the organization, he must be controlled by external forces to insure his working toward organization goals. Within the framework of Theory X, the ability to provide or withhold economic rewards is the prime means by which management exercises authority. Money is perceived as the major motivator of human behavior in the organization. Money is a means for satisfying many needs. This fact enables management to use monetary incentives to obtain acceptance of direction and control. The employment contract is perceived as an agreement to accept direction in

return for economic rewards (12: p. 91).

These traditional theories of motivation have endured, largely unquestioned, since the dawn of the industrial revolution. As explained by these approaches to motivation, money is considered the main reason, if not the only reason, that most people have for working. Knowing how to motivate consists largely of knowing how to dangle money as artfully as possible before the eyes of one's subordinates (18: p. 144).

CHAPTER III

HUMAN RELATION THEORIES OF MOTIVATION

Beginning in the early twentieth century and continuing through the present, a growing number of alternative views of motivation have been developing. Elton Mayo began his well-known Hawthorne studies in 1927. He found that with the introduction of dollar incentives, a group's productivity actually decreased. He concluded that the monetary incentives created psychological conflicts by forcing people to choose between the money and the group's social standards. From these studies, Mayo developed his Socio-Economic Theory which states that workers tend to form informal groups to fill the void in their lives created by the lack of cooperation and comradeship in industrial organizations. Mayo suggested that these informal groups have more effect on the worker's morale and motivation than the combined effects of money, discipline, and job security (14: p. 68).

Abraham Maslow advanced the theory that man is motivated by a hierarchy of needs. Maslow classified human needs into a pyramidal structure as follows:

- A. Physiological needs. Oxygen, food, sex, rest, and temperature regulation.
- B. Safety needs. Protection from physical danger, economic security, and law and order in society.
- C. Social needs. Love, affection, and a sense of belonging.

- D. Esteem needs. Need for achievement, confidence, independence, and importance of one's work.
- E. Need for self-realization. Making use of all one has to become everything that one is capable of becoming (21: p. 352).

According to Maslow's theory, man strives to fill these needs in their order of hierarchy, with the basic physiological needs being satisfied first. The physiological and safety needs are most closely associated with the desire for money. However, as a person moves up through the hierarchy, the ability of money to satisfy his new level of needs decreases. The ability of money to satisfy seems to diminish at each step up the hierarchy. (8: p. 47).

In addition to developing a Theory X of motivation, Douglas McGregor also developed a Theory Y of motivation. Theory Y is based on the following concepts:

- A. The expenditure of physical and mental effort in work is as natural as play or rest.
- B. External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed.
- C. Commitment to objectives is a function of the rewards associated with their achievement.
- D. The average human being learns, under proper conditions, not only to accept but to seek responsibility.
- E. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
- F. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized (12: pp. 47-48).

From the point of view of Theory Y, monetary incentives are considered an inappropriate method of control. They do not represent selective adaption to the conditions which support Theory Y. Management by

integration and self-control offers the preferred method of motivation. Integration demands an active rather than passive role for the individual in the administration of his work environment. The individual must provide data concerning his interests, goals, and qualifications which can be utilized to permit him to become an active candidate for promotional opportunities. His goals and needs - as perceived by him and not simply by others - should influence decisions affecting his future (12: p. 186). Theory Y emphasizes the average person's intrinsic interest in his work, his desire to be self-directing and to seek responsibility, and his capacity to be creative in solving business problems (7: p. 123).

In developing their theories of motivation, Maslow and McGregor considered that most jobs in modern industry are so specialized or fragmented that they neither permit the worker to use his capacities nor enable him to see the relationship between what he is doing and the total organizational mission (14: p. 65). They contend that money, per se, can do little to directly motivate such men.

Fredrich Herzberg divided human needs into two categories: hygiene factors, which describe people's environment and serve primarily to prevent job dissatisfaction; and motivators, which serve to motivate people to superior performance (8: p. 65). He grouped the factors as follows:

HYGIENE FACTORS (Environment)

Policies and Administration
Supervision
Working Conditions
Interpersonal Relationships
Money, Status, Security

MOTIVATORS (The Job itself)

Achievement
Recognition for Accomplishment
Challenging Work
Increased Responsibility
Growth and Development

Herzberg does not consider money to be a motivator at all. He contends that most salary, bonus, and profit sharing plans do not motivate any action other than the purely passive one of staying in the organization. His conclusions concerning the relationships between the hygiene factors and motivators have been summarized thusly:

Feelings of strong job satisfaction come principally from the job itself and the opportunity for Achievement, the Recognition for the Achievement, Work Itself, Responsibility, and professional Advancement and Growth. These factors are termed motivators since their presence in a worker's job produces not only job satisfaction, but also increased productivity and retention. Feelings of dissatisfaction are more likely to be attached to the environment in which one does his job, from such factors as company policies and administration, supervision, working condition, salary, personal life and interpersonal relations. These factors are called dissatisfiers and are a source of job dissatisfaction that results in decreased productivity and retention. When both the motivators and dissatisfiers are properly applied and controlled, a motivated and productive worker is more likely to result (19: p. 45).

In 1966, the United States Air Force, concerned with the problem of motivating Air Force officers and identifying factors influencing motivation, undertook a study entitled A Study in Officer Motivation (New View) (26: p. 4). New View was completed in 1967 and its findings confirmed Herzberg's theory as it relates to motivators and dissatisfiers. For the Air Force officers surveyed, motivators leading to job satisfaction were found in the following order; achievement, recognition, work itself, responsibility, advancement, growth, and patriotism. The dissatisfiers were found to be; salary, policy and administration, supervision, interpersonal relations, personal life, status, working conditions, and security. These findings were confirmed again in 1968 and 1981, in studies conducted at the Air War College (24: p. 71). The span of 14 years caused little change in the perceptions as to those things that constitute motivators versus hygiene factors. Money was

not found to be a significant motivator.

Motivational theory as it has been developed in recent years has moved toward aiding the worker in feeling needed and productive. The needs of achievement, growth, challenging work, social acceptance, and self-realization have been emphasized as the motivators of man's productive capabilities. At the very lowest income levels money to meet basic needs (subsistence or physiological needs) is a potent motivational tool. However, above the subsistence level the dollar drops off in importance. Surveys and studies of worker's demands repeatedly have revealed that amount of pay is well down the list. In fact, it becomes important only when it is withheld.

CHAPTER IV

RELIANCE ON MONEY TO MOTIVATE

In spite of the recent advances in motivational theory, considerable reliance continues to be place on monetary motivational tools. The behavioral scientists' contributions to motivation concepts have not been accepted or applied by a large percentage of today's managers. The desire for more money is still considered to be the conventional and most common theory of why men work. This is summarized best by a prominent spokesman for extrinsic reward systems, Mitchell Fein, who states: "I am inclined to the thought that most workers work in order to eat; they exchange their skills, efforts and time for what they can buy back outside of the work place" (2: p. 241).

Extensive research has been conducted in American industry in an attempt to answer the question of what workers really want from their jobs. In one study, managers were asked to put themselves in their worker's shoes and rank in order of importance a series of items that workers might want from their job. This ranking was then compared to the ranking accomplished by the workers themselves of the same items. The results were as follows (8: p.47):

	<u>Ranked by Supervisors</u>	<u>Ranked by Workers</u>
Good working conditions	4	9
Feeling "in" on things	10	2
Tactful disciplining	7	10
Full appreciation for work done	8	1
Management loyalty to workers	6	8
Good Wages	1	5
Promotion and growth within company	3	7
Sympathetic understanding of personal problems	9	3
Job security	2	4
Interesting work	5	6

(Ranking from high of 1 to low of 10)

It is interesting that the things which workers indicated they wanted most from their jobs were rated by their supervisors as least important. For example, the workers rated appreciation for work done as the highest priority, yet, the supervisors ranked it near last in priority. The supervisors ranked good wages as the top priority, yet, the workers felt it was only fifth in importance. In some cases, there seems to be very little sensitivity by supervisors as to what things are most important to the workers. Supervisors continue to think that incentives which can satisfy the physiological and security needs tend to be most important to workers. Therefore, they use the standby incentives - money, fringe benefits, and security - to motivate their workers (8: p. 48).

This study was originally conducted in 1946. Since that time, it has been replicated periodically by various researchers using a variety

of test populations. The only real changes in the results have been that workers were increasing in their desire for "promotions and growth" and "interesting work." The perceptions of the managers have remained basically unchanged.

The money approach to motivation has survived and flourished for several reasons. At the practical level, money can be manipulated quite easily by managers and therefore, is the tool they look to first when productivity begins to slip downward. Many managers see money as a prime motivator because they themselves are highly achievement oriented and consider money as a reward for greater accomplishment. They falsely assume that other people's motives are the same as their own.

A final reason why the money myth has proven so hardy, is the fact that it is partly true. Many people are motivated primarily by the desire to make money, which for them takes precedence over all other considerations (7: p. 64). Since the satisfaction of financial needs is directly related to the quest for a job in the first place, and occupies a place of some importance all during a man's career, this need must be considered one of the universals in our culture. The fear of losing one's job and with it one's source of cash, has been an extremely effective motivator simply because money is indispensable for survival in a cash economy. Money has been equivalent to survival in the industrialized countries since the time some managerial genius decided that money, dribbled out periodically in small amounts, would enable workers to purchase the means of their own survival and thereby motivate them to work.

CHAPTER V

MONEY IS A MOTIVATOR

Money isn't everything, but it's way ahead of whatever is in second place (7: p. 168).

Money is sometimes defined in terms of the job it does. For example, money serves as a medium of exchange, a store of value, a standard of value, a standard of deferred payments, a unit of account, and a means of paying off debt. Money derives its compelling power to motivate most people some of the time, and some people all of the time, from the fact it has no intrinsic meaning of its own (9: p. 2). It can absorb whatever meaning people want to find in their lives. Unlike people, money is not fickle; it does not deceive or reject, and is worth whatever it is supposed to be worth.

Money serves as a symbol. It can portray whatever the individual considers most important in life. It can represent achievement, prestige, power, or security. When money is recognized as a vehicle for achieving, it acquires significant motivating power. To a practical man, achievement and recognition on a job are symbolized through the granting of rewards such as pay increases.

Money is associated with the satisfaction of workers' needs. A basic function of money lies in its power to buy satisfaction of the basic physiological needs - food, clothing, and shelter - and acquired

needs such as tobacco. Money can further satisfy the need for security. It represents insurance against physiological deprivation and against financial hazards of poor health, old age, and unemployment. Money can facilitate the satisfaction of social needs only indirectly by freeing the individual from the insistent clamor of his basic needs so he can attend to his social needs.

The ability of money to satisfy or fill the need for esteem is somewhat questionable. The American way of life has stressed money as the measure of status and achievement. Compensation has become important in both judging one's self and one's neighbor. The rich are still held in high regard, however, the American dream of becoming a millionaire has diminished in importance during the past decade.

Using money in a system of rewards and punishments is effective at the lower level of needs (physiological and safety) since these levels can be directly affected by money's buying power. The man motivated by social needs, self-esteem needs, or need for self-realization is not easily controlled by external rewards. Money, per se, is a relatively weak motivating force for these individuals.

The lower one goes down the chain of command the less the probability that one can significantly alter his working world. Therefore, the lower-level employee is left with little opportunity for self-realization on his job. He may eventually suppress his desire for self-expression while at work and experience little conscious need for it. Under these conditions, the meaning of work focuses primarily on earning a living as well as the psychological satisfaction that comes from being at work.

A national survey found that although many employees reported little satisfaction in their work, they also preferred to continue to

work even if they could afford not to work. Doing nothing apparently violates the culturally learned role (Puritan Ethic) of what it means to be a working individual. Employees prefer to work in a job with minimum satisfaction rather than not to work at all.

If this survey is valid, it is understandable why workers are eventually coerced into placing increased emphasis on monetary and other material rewards and decreasing emphasis on human satisfaction. This is pointed out in an interview with a retiring employee who replied as follows:

Q: Was there anything you like about the job?

A: No, I can't think of anything. It was hard work and I wouldn't go through it again.

Q: Come now, you couldn't have worked there all those years and not found something you liked.

A: There is nothing I can think of - only the money - I couldn't think of anything else (1: p. 65).

CHAPTER VI

MILITARY PAY AS A MOTIVATOR

Congress has long considered military pay as a prime factor in obtaining and retaining military manpower. The annual discussions and deliberations that occur between Congress and the Department of Defense manpower managers is ample evidence of the importance of the pay subject. Since the turn of the century, there has been a continuing succession of boards, commissions, panels, and reviews of military pay. Out of this search has grown continued confusion as to how pay will be structured to maintain an appropriate force.

The institution of the All Volunteer Force (AVF) brought the question of pay into more prominence. Without the draft to provide personnel directly or to indirectly motivate others to volunteer, the services find themselves competing on the open market for personnel. To meet this competition a number of pay raises, bonuses, and special pays have been implemented in the past decade in an attempt to procure and maintain personnel.

This monetary competition had been foreseen by the Gates Commission during its study of the feasibility of an all volunteer force. The Commission viewed manpower as a function for supply and demand — that at the right pay level, sufficient manpower would be available to support the military establishment. The Commission also felt that military pay

could be used as a means of overriding the many non-pecuniary factors associated with military life (25: pp. 7-8).

Since the Gates Commission Report and the institution of the all volunteer force, there has been a number of significant pay changes made to obtain and retain service members. Annual pay raises have been given. An enlistment bonus was enacted. The re-enlistment bonus program was improved and increased so as to influence people with certain skills. The concept followed was the more critical the skill to the service - the higher the bonus. Incentive pays were added or improved so as to attract and retain doctors, submariners, aviators, nuclear personnel. While the purpose of this paper is not to discuss in detail the development of military pay, the point should be made that money has been used to attempt to motivate people to enter, remain, and perform in the services. Generally, it can be concluded that money has performed satisfactorily, at best. The constant debate as to the quality of the services' manpower and fluctuating successes in meeting manpower objectives are indications that money has not provided a cure-all solution.

At the lower grades, and correspondingly lower pay rates, pay can be a dissatisfier which will motivate people away from the service. As the pay rate increases it reaches a point at which it provides the individual a comfortable standard of living and does become a motivator to remain in the military. At least two factors temper this judgement or evaluation by the individual as to the sufficiency of his pay; the prospect as to what he or she might be paid in the civilian market and, secondly, the job market itself. At the higher levels of pay, compensation appears to cease being an effective motivator. At these levels, individuals become concerned with fulfilling more complex and sophisti-

cated human needs.

The motivational impact of pay seems to be relatively short lived. The more pay an individual gets, the more he wants. To provide long term motivation, pay raises are required at fairly regular and frequent intervals.

Congress has recognized the importance of the comparability of military pay to pay in the civilian sector. Also recognized is the tremendous complexity and difficulty in making such a comparison. One major problem associated with the comparison is the difficulty in assessing the real value of the military compensation system which is composed of pays, benefits, and privileges. In recognition of this, Congress directed the DOD to study and develop a method of reporting to each service member his or her total compensation on an annual basis. There has also been debate and discussion of a salary system within the services. One of the objectives of a salary system would be to assist in the comparing of military and civilian pay, not only for the service members, but also in the deliberations leading up to annual pay raise computations.

The use of money to motivate personnel to enter or remain in the military has been a fire hose approach rather than a continual fine tuning of the overall pay structure. On a case-by-case basis, problems have been solved by pumping money at them. If a MOS is short, the enlistment or re-enlistment bonus is adjusted. If a certain grade level is experiencing excessive losses or shortages, the pay raises are allocated. These past practices have created peaks and valleys in the overall effectiveness of the pay system. Continued use of this approach will probably not be acceptable in terms of cost. Pay and allowances have become a significant part of the DOD budget. Each increase in

personnel costs is granted at the expense of other needs; i.e. weapons, maintenance, facilities, etc. Congress and the personnel managers are losing the capability and desire to fire hose personnel problems with money.

CHAPTER VII

CONCLUSIONS

In spite of recent advances and developments in motivational theory, many businessmen and managers still rely on the outdated assumption that money is the prime motivator of men. The importance of money cannot be denied. People do work for money because money can satisfy their basic needs. But money is only one of many considerations that a worker has on his mind and because of this he cannot think of work purely in terms of economic advantage or disadvantage. Man is not simply an economic man, but a social-economic man (7: p. 63).

Money is one tool among many for achieving motivation of a work force. It's a treacherous tool because it is deceptively specific, tempting many managers to neglect work situation variables which could have much more effect on productivity. The important conclusion to be drawn from the whole theory of money as a motivator, is that no one incentive is the only answer to motivating men on the job.

Efficient motivation methods must be based on the "why" of the behavior which is to be influenced. Managers must realize that money symbolizes different things to different people at different times. It cannot be used as an all-purpose, cure-all action when attempting to motivate a single worker or an entire work force. A good guide for the manager can be succinctly stated as:

- A. Do not rely exclusively on increases in wages and security benefits to motivate employees once an adequate level of wages and benefits has been reached.
- B. Do create conditions conducive to a man's satisfying his social, esteem, and self-realization needs on the job.

The manager must understand that he is dealing with individuals and that each individual is different. Some will be motivated by recognition; others by responsibility; and while there is an interrelationship between the various motivators, each individual will react differently to them. There will be some who are more interested in security and stability and will be frustrated and insecure when given a responsible, challenging assignment. What is desirable in one situation with one employee may not be satisfactory in a different situation and with a different employee.

Application by managers of the advancements in motivational theory must be eclectic in nature. No one theory or system is a panacea. The manager or supervisor must take a broad, liberal view of the subject of motivation and its application in order to unify and reconcile the findings of many schools of thought. He must determine, by his judgment and experience, which method or approach to use in the circumstances facing him at the time.

The concept of increasing the level of pay to offset some of the more undesirable aspects of a military career may have reached the point of diminishing returns. Pay levels have been raised to the point that personnel costs are seriously impacting on the defense budget. In view of the short term motivational impact of pay raises and the detrimental effect of large and increasing personnel costs on the budget, the Department of Defense and Congress must be aware of the limited effectiveness of money to motivate the force. A shift of efforts to the

less tangible and potentially less costly factors such as quality of life may have greater impact on individual career decisions.

In the final analysis, it must be concluded that money is a motivator, but not the only or ultimate motivator. The manager or organization that loses sight of that fact is courting failure.

"that (ruler) who can best find
money to feed, clothe, and pay
his Army. . . is surest to success."

Charles D'Avenant, 1695
Member of Parliament
' . . . On Ways and
Means of Supplying War.'

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