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Challenging Behaviorist Dogma:

Myths About Money and Motivation

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The idea that dangling money and other goodies in front of people will "motivate" them to work harder is the conventional wisdom in our society, and particularly among compensation specialists. Those of us who have challenged the Skinnerian orthodoxy that grounds this conviction have apparently caused its professional apologists to reassert in ever more emphatic and defensive language what most of their audience already takes on faith. (Hence the amusing spectacle of being admonished that it is "time that management specialists … understood the importance of money" — as though the field were guilty of attributing too little importance to it!)

Lest there be any doubt, however, Gupta and Shaw [Compensation & Benefits Review, March/April 1998, page 30] strain to frame the issue as a choice between anecdotes and hard science (the science unambiguously supporting their position, of course) or between utopian fantasy and the "real world." I propose that we try to examine a few of the many issues involved with a little more care and precision.

1. Does Money Matter?

The first response to this question by a reputable social scientist would be: "Well, what society are we talking about — and what historical period?" If indeed it turned out that a disproportionate number of contemporary Americans were preoccupied with money, that would hardly give us license to draw sweeping conclusions about "human nature" or to offer prescriptions premised on such conclusions.

As it happens, even in our own society maxims about the significance of money are offset by proverbial reminders about what can't buy happiness, what is the root of all evil, and so on. Then, too, we must be careful about attributing to everyone what is true of some. That the have-nots tend to think about having more tells us about deprivation rather than about the inherent centrality of money. Many of us pour our time and love into avocations — that is, activities for which we will never be compensated — nicely making the point that money for most of us is not the point. (One thinks not only of the usual hobbies but also of raising children, an activity reasonably certain to produce a net loss.) Yes, there are affluent people whose lives nevertheless do seem to revolve around making money, but on some level we understand that this is a futile attempt to fill a psychological void, to make up for genuine needs that are not being met. New evidence suggests that the more people are driven by a desire to be wealthy, the poorer their psychological health on a range of measures.[1] Gupta and Shaw's article reminded me of an observation by the sociologist Philip Slater: "The idea that everybody wants money is propaganda circulated by wealth addicts to make themselves feel better about their addiction."[2]

Even if we confine our discussion to the workplace, numerous studies have shown that when people are asked what is most important to them about work, money ranks well behind such factors as interesting work or good people to work with. (Interestingly, when managers are asked what matters most to their employees, they tend to rank money at the top of the list-and then proceed to manage on the basis of that error.)[3] None of this is meant to imply that money doesn't matter to people, only to offer a nuanced alternative to declarations at the level of "most of us are motivated by money" — the first dubious link in a chain of assertions that is supposed to justify manipulating people with incentives.

2. Does Money Motivate?

The most important point to be made here is that this is a very different question from the first one. Even if money matters more — and to more people — than I think it does, that is by no means tantamount to showing that it motivates people. By one definition, nothing can meaningfully be said to "motivate" people. Various devices can be used to get people to do something, but that is a far cry from making people want to do something. Seminars and articles with titles like "How to Motivate Your Employees" should be avoided at all costs: not only is the basic premise psychologically misconceived, but the prescriptions are likely to involve attempts to control people and therefore to make things worse in the long run.

You could not ask for a crisper contrast with behaviorism, which assumes that all behavior is ultimately initiated by the external environment (in the words of one proponent). Intrinsic motivation is typically placed between quotation marks by Skinnerians as though to call its very existence into question. For the rest of us, who find it meaningful to distinguish between intrinsic motivation (where the task itself is experienced as appealing) and extrinsic motivation (where the task is seen as a means to an end, a prerequisite for receiving a reward or avoiding a punishment), the question then becomes not "How motivated are people at our organization?" but "How are our people motivated?" It is not the amount of motivation that matters, but the type. Hence we might agree (by a looser definition) that someone could be motivated by money, but then immediately add that this would probably signal a major problem, a motivational orientation that isn't associated with a high quality of work or quality of life.

3. What Does the Research Say?

On the questions that matter there are indeed very few relevant workplace studies. Probably this is because the conventional view that money "motivates" people, and hence that well-designed reward schemes are bound to be effective, is accepted as religious dogma — and there is no need for a scientific test of religious dogma.

Anyone can insist repeatedly, and in an ever more aggrieved tone, that what data do exist support one's own position "consistently," "clearly," "unambiguously," and so on, but that does not make it so. It's hard to comment on a metaanalysis that hasn't yet been published, but the earlier review of studies by Jenkins — presumably many of the same studies analyzed with a different statistical methodology-makes my case very powerfully. First, most of the research showing a positive effect of financial incentives looked only at short-term results. Second, the effect was most likely to be positive when subjects were given simple, indeed virtually mindless, tasks to do.

Third, as Gupta and Shaw acknowledge and then try desperately to "spin" away, incentives at best seem to be effective only in quantitative terms (e.g., getting people to do something faster). Jenkins was quite clear about the effect of incentives on quality: they don't help. While acknowledging that the five relevant studies he dug up didn't explicitly tie pay to quality, he wrote that "laboratory and field experiments alike appear to be unanimous: financial incentives do not improve performance quality.”[4]

That finding needs to be understood in the context of at least two dozen studies in other settings demonstrating that rewards are not merely ineffective but actually counterproductive. Subjects offered an incentive for doing a task (or, in some of the studies, for doing it well) actually did lower quality work than subjects offered no reward at all. As University of Texas psychologist Janet Spence put it after discovering this surprising effect in an early study of her own, rewards “have effects that interfere with performance in ways that we are only beginning to understand.”[5] One would never guess from their defiant assertions about how the research backs them up that the reality is very nearly the reverse of what Gupta and Shaw claim. The detrimental effect of rewards on performance has been demonstrated with children and adults, across cultures, with every kind of reward imaginable (including but not limited to money), and with a range of tasks — although the damaging effect is more pronounced as the tasks become more complicated and quality becomes more important.

I realize that the dispute to which Gupta and Shaw and I are treating you only seems to confirm the cynical, eye-rolling reaction that research can be cited to prove anything. But not all research is equally well designed, and not all studies are trying to show the same thing. I readily concede that studies often prove that “rewards work.” But we should immediately ask: “Work to do what? And at what cost?” Like sticks, carrots can often elicit temporary compliance –or short-term blips in the quantity of performance at relatively simple tasks. To the best of my knowledge, though, no controlled scientific study has ever found a long-term enhancement of the quality of work as a result of any reward system. For five years, I have challenged defenders of incentive systems to provide an example to the contrary, and I have yet to hear of such a study.

The cost of rewards — and one of half a dozen compelling explanations for why performance isn’t enhanced by their use — has to do with their effect on interest in the work itself. If you’re willing to question the behaviorist penchant for collapsing intrinsic into extrinsic, and to look at how people are motivated, then it becomes disturbingly clear that the more you use rewards to “motivate” people, the more they tend to lose interest in whatever they had to do to get the rewards. Extrinsic and intrinsic motivation not only are different, in other words — they generally are reciprocally related: as extrinsic goes up, intrinsic most often goes down. (There are qualifications to this, of course, but it’s a reasonably accurate summary, as contrasted with the egregiously simplistic claim that rewards cause people to be “more motivated.”)

At least 70 studies have found that rewards tend to undermine interest in the task (or behavior) itself; this is one of the most thoroughly replicated findings in the field of social psychology.[6] Gupta and Shaw essentially ignore that impressive body of research, relying instead on two claims. First, they say that because incentives can boost performance (that is, short-term quantitative performance) even on interesting tasks, it can be inferred that incentives don’t reduce interest. I read that paragraph three times, trying without success to grasp the logic here. That people might temporarily work faster at a task in fact tells us absolutely nothing about how they feel about that task, or whether they’d want to do it again in the absence of rewards. Studies that haveexamined this question directly (unlike Gupta and Shaw’s) have repeatedly shown that the more salient or reinforcing the reward is, the more it erodes intrinsic interest.

Second, they cite a meta-analysis by Cameron and Pierce whose methodology is, in my view and the view of research psychologists without a prior commitment to behaviorism, fatally flawed.[7] But even if one accepts its approach, these authors had to concede that the expectation of a tangible reward in connection with a task is indeed associated with less voluntary time spent on the task later as compared with a no-reward condition. This finding, whose significance Cameron and Pierce (like Gupta and Shaw) are at pains to minimize, stands as further confirmation of what most other reviews of the research have found. (The Cameron and Pierce article, incidentally, was principally concerned with rewards in a classroom context and studies involving children. Apparently essays dealing with this population are acceptable to cite when they support one's position, whereas research demonstrating that rewards cause children to lose interest in what they're rewarded for doing can be dismissed as irrelevant to compensation issues.)

4. What Does It All Mean?

To those looking for reassurance that reward systems make sense, Gupta and Shaw's article will no doubt be well-received. For those interested in a dispassionate analysis of rewards, it will raise more questions than it answers. The idea that reward systems don't work very well is not particularly controversial — witness a cover article in Incentive magazine several years ago carrying the headline "Why No One Likes Your Incentive Program." And if you're not impressed by research, then just ask how long a typical reward program lasts before it's junked. Then ask: how many times does that have to happen before you finally realize that the problem isn't with the specifics of the program but with the psychological theory on which the whole idea of rewards is based? How many times do we earnestly attempt to carry out the advice of consultants, along the lines of the familiar suggestions offered at the end of Gupta and Shaw's article, before we realize that offering workers the equivalent of a doggie biscuit for doing what we demand is never going to be successful in any meaningful sense?

That rewards can't get us what we want is a heretical idea, but it emerges ineluctably from a critical analysis of motivation and work. What distinguishes behaviorists (and pop-behaviorists, who identify themselves not as Skinnerians but as "performance management" experts and suchlike) is not a predilection for using rewards so much as a tendency to focus on behavior — as though only that which can be seen and measured is real. The more reasonable view, I would argue, is that our behavior is just the outward manifestation of who we are: our thoughts and feelings, expectations and memories.

Once you start thinking about people rather than behaviors, you begin to ask questions like "What do people need — and what can we do to help meet those needs?" Psychologists tell us that people have a basic need for autonomy, so the challenge is to create a workplace that is democratic, where everyone has the opportunity to participate in making important decisions. Psychologists tell us that people have a basic need to feel related and to belong, so the challenge is to create a workplace that is collaborative and feels like a community. Psychologists tell us that people have a basic need to feel competent, so the challenge is not to induce people to do a fixed series of tasks but to re-examine the tasks themselves. (Frederick Herzberg put it best: "If you want people motivated to do a good job, give them a good job to do.")[8]

Now contrast such an organization, where the point of departure is asking what people need, with an organization whose fundamental question is, in effect, "How can we get the employees to do what we tell them?" The former sort of workplace is about working with; the latter sort is about doing to. Rewards, seen from this perspective, are just one more way of doing things to people. They are basically "control through seduction."[9]

To create a more democratic and collaborative workplace is not inconsistent with compensating people adequately for what they do. I am not arguing against money, which is necessary and even nice. I am arguing against (1) attributing more importance to money than it actually has, (2) pushing money into people's faces and making it more salient than it needs to be, and (3) confusing compensation with reward (the latter being unnecessary and counterproductive). The problem isn't with the dollars themselves, but with using dollars to get people to jump through hoops.

Thus, my formula for how to pay people distills the best theory, research, and practice with which I am familiar into three short sentences:

* Pay people well.

* Pay people fairly.

* Then do everything possible to take money off people's minds.

Notice that incentives, bonuses, pay-for-performance plans, and other reward systems violate the last principle by their very nature.

Another prescription, even less likely to be popular among comp experts, follows close on the heels of that one: Work with everyone in an organization to decide on an equitable basis for paying people — and then move on! Herzberg's career was devoted to proving the following revolutionary principle: just because paying people inadequately can be demotivating doesn't imply that paying people better (or more skillfully) will be motivating. The jazziest, most expensive and elaborate comp system ever devised can never do anything other than prevent some problems. It can take you only to the baseline, the zero point. And if you become preoccupied with the topic, it can distract you from attending to what can move an organization forward — projects such as meeting people's needs for autonomy, relatedness, and competence. The engineers who maintain the heating and cooling systems in an office building perform an analogous function: if they do their job poorly, then the air is too hot or cold or dry and people can't do their best work. But no matter how well they do their job, the best that can be expected is that people forget about the climate altogether and think about how to get better at — and really enjoy — what they do. No one hires a heating specialist to "motivate" the employees; it is equally ludicrous to expect that of a compensation specialist.

One of my favorite examples of a company that took this advice is Marshall Industries, a huge electronic components distributor based in southern California. Long locked into a pop-behaviorist sensibility, myopically concerning itself with the "dos and don'ts of financial incentives," they finally realized that none of this advice seemed to help and that the problem was with the premises on which the use of any financial incentive was based. It was the very existence of sales commissions and other rewards that was preventing the company from moving forward. Only when this light bulb clicked on did things begin to change. After a full year of listening, reflecting, and "losing sleep," CEO Rob Rodin and his associates first got rid of all contests and other practices that set employees against each other, then eliminated management incentives, and finally replaced sales commissions and everything else smacking of pay-for-performance with a base salary.[10] The result: turnover (one of the many hidden costs of reward systems) was reduced by 80%; morale soared; salespeople began coordinating their efforts more effectively; and sales, along with profitability, grew dramatically. About five years ago, when Marshall began its de-incentivizing process, its stock was about $8 and its annual sales were at $575 million; today, its stock trades in the $30-$40 range and annual sales have hit $1.3 billion.

We can all agree that this is an imperfect world. But the uncritical acceptance of traditional practices, particularly those based on an outdated and inaccurate view of human psychology, serves only to make our world that much more imperfect. The sociologist C. Wright Mills put it well: "Are not those who in the name of realism act like crackpots, are they not the utopians? Are we not now in a situation in which the only practical, realistic, down-to-earth thinking and acting is just what these crackpot realists call 'utopian'?"[11]

NOTES

1. Tim Kasser and Richard M. Ryan, "A Dark Side of the American Dream: Correlates of Financial Success as a Central life Aspiration," Journal of Personality and Social Psychology, vol. 65, no. 2,1993, pp. 410-22; and "Further Examining the American Dream: Differential Correlates of Intrinsic and Extrinsic Goals," Personality and Social Psychology Bulletin, vol. 22, no. 3, 1996, pp. 280-87. (For a review of this research, see Alfie Kohn, "In Pursuit of Affluence, at a High Price," New York Times, February 2, 1999.)

2. Philip Slater, Wealth Addiction. New York: Dutton, 1980, p. 25

3. Some of the research is reviewed in Alfie Kohn, Punished by Rewards. Boston: Houghton Mifflin, 1993, pp. 130-31. Since that book's publication, another study replicated the finding: a randomly selected national sample of 3,400 men and women ranked "salary/wage" only sixteenth on a list of 20 reasons for taking a job, well behind such factors as open communication, stimulating work, control over work content, and opportunity to gain new skills. ("The National Study of the Changing Workforce," conducted by the Families and Work Institute, was described in the New York Times, 19 September 1993, p. F21.)

4. G. Douglas Jenkins, "Financial Incentives," in EA. Locke, ed. Generalizing from Laboratory to Field Settings. Lexington, Mass.: Lexington Books, 1986, p. 172.

5. Janet Taylor Spence, "Do Material Rewards Enhance the Performance of Lower- Class Children?"Child Development, vol. 42, 1971, pp. 1461-70.

6. In Punished by Rewards, I reviewed the available research on the damaging effect that rewards have on the quality of performance (chap. 3) and on intrinsic motivation (chap. 5), as well as the application of this research to workplaces (chap. 7).

7. See the entire issue of Review of Educational Research, vol. 66, no. 1, 1996.

8. Frederick Herzberg, "Workers' Needs: The Same Around the World," Industry Week, 21 September 1987, p. 30.

9. This expression appears in a work by two of the leading students of motivational psychology: Edward L. Deci and Richard M. Ryan, Intrinsic Motivation and Self-Determination in Human Behavior. New York: Plenum, 1985, p. 70.

10. A quarterly profit-sharing distribution accounts for a small percentage of total compensation but — unlike gainsharing, which my friend Peter Scholtes defines as "MBO with a bribe attached"– it is not dangled conspicuously in front of employees as a means to "motivate" them.

11. C. Wright Mills, Power, Politics, and People. New York: Ballantine, n.d., p. 402.