

MOTIVATION THROUGH COMPENSATION

Introduction

For most people, their annual pay raise may be the most concrete information they have on how the organization evaluates their performance. Therefore, whether you as a manager intend it or not, the pay raise will be seen by the employee as either a reward or a punishment for last year's work performance. In Skinnerian terms, with the pay raise, you are either positively or negatively reinforcing last year's performance. Therefore, the pay raise can be either motivating or demotivating, depending upon how the employee views the connection between good performance and financial rewards. Issues of equity, expectancy, and social comparison are also involved in people's reactions to pay decisions.

Procedure

Read the instructions on the "Employee Profile Sheet" and then decide on a pay increase (dollar amount) for each of the eight employees.

EMPLOYEE PROFILE SHEET

You have to make salary increase recommendations for eight managers that you supervise. They have just completed their first year with the company and are now to be considered for their first annual raise. Keep in mind that you may be setting precedents and that you need to keep salary costs down. However, there are no formal company restrictions on the kind of raises you can give. Indicate the size of the raise that you would like to give each manager by writing a dollar amount next to their names. You have a total of \$24,000 available in your salary budget to use for pay raises.

\$ _____ A. J. Adams. Adams is not, as far as you can tell, a good performer. You have checked your view with others, and they do not feel that Adams is effective either. However, you happen to know Adams has one of the toughest work groups to manager. Adams' subordinates have low skill levels, and the work is dirty and hard. If you lose Adams, you are not sure whom you could find as a replacement. Salary: \$28,000.

\$ _____ B. K. Berger. Berger is single and seems to live the life of a carefree swinger. In general, you feel that Berger's job performance is not up to par, and some of Berger's "goofs" are well known to the other employees. Salary: \$31,500.

\$ _____ C. C. Carter. You consider Carter to be one of your best subordinates. However, it is quite apparent that other people don't agree. Carter has married into wealth, and, as far as you know, doesn't need additional money. Salary: \$34,500.

\$ _____ D. Davis. You happen to know from your personal relationship that Davis badly needs more money because of certain personal problems. As far as you are concerned, Davis also happens to be one of the best of your subordinates. For some reason, your enthusiasm is not shared by your other subordinates, and you have heard them make joking remarks about Davis' performance. Salary: \$31,800.

\$ _____ E. J. Ellis. Ellis has been very successful so far. You are particularly impressed by this, since it is a hard job. Ellis needs money more than many of the other people and is respected for good performance. Salary: \$32,900.

\$ _____ F. M. Foster. Foster has turned out to be a very pleasant surprise to you, has done an excellent job, and is seen by peers as one of the best people in your group. This surprises you because Foster is generally frivolous and doesn't seem to care very much about money and promotion. Salary: \$30,500.

\$ _____ G. K. Gomez. Your opinion is that Gomez just isn't cutting the mustard. Surprisingly enough, however, when you check with others to see how they feel about Gomez, you discover that Gomez is very highly regarded. You also know that Gomez badly needs a raise. Gomez was just recently divorced and is finding it extremely difficult to support a house and a young family of four as a single parent. Salary: \$28,700.

\$ _____ H. A. Hunt. You know Hunt personally. This employee seems to squander money continually. Hunt has a fairly easy job assignment, and your own view is that Hunt doesn't do it particularly well. You are, therefore, quite surprised to find that several of the other new managers think that Hunt is the best of the new group. Salary: \$29,400.