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CLARIFYING MONEY'S ROLE IN MOTIVATING INCREASED PRODUCTIVITY IN FOOD RETAILING

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Money is out of vogue as a motivator, yet money wages have outpaced man-hour output, with few exceptions, since 1966 (BLS, p. 108). Apparently, employees are being paid for being at their work place rather than for being productive workers.

The market place emphasis has shifted from production to service (Bloom, pp. 10-11). It is also conventional knowledge that service tasks interfere with productivity. A fallacy must be lurking about our economy. If a customer service increases labor requirements without contributing to sales, it should be eliminated. Part of the problem is in defining the marginal returns gained from adding a service.

Labor is the largest component of a grocer's cost after "cost of goods sold." Consequently, management emphasis on employee motivation is essential when attempting to improve productivity.

The quest of this "in-progress" research is for "that configuration of incentives and rewards, sanctions, and ideology that is conducive to responsible individual performance. The problem is in implementing the reward-according-to-performance ethic where individual performance blends incognito into mass output" (Breimyer, p. 1).

The research is designed:

1. To determine the degree to which accepted management practices are being

used to motivate increased labor and management productivity,¹

2. To assess management's accuracy in determining which customer services are required for store success,

3. To identify situations where money is most effectively used to motivate employee productivity, for each cooperating food retailer.

Should the approach find commonality among cooperators, a final objective will be:

4. To identify parameters and variable relationships that will serve as a foundation for more efficient computer assisted evaluation of productivity-motivating practices.

Research Approach

In an ideal situation, all possible actions that would result in a desired performance could be compared and the most efficient motivator selected. This efficiency approach, at least in theory, would be highly favored. Although it is impossible to get exact measures of input and output values for all motivators, or for that matter, for any one motivator, a procedure based on this conceptual approach seems practical. Thus, this research will begin testing the effectiveness of an efficiency-based theory in predicting the desirability of money as a motivator.

The foundation for this approach is found in two general hypotheses:

1. Money will be the most effective motivator, according to management criterion for work groups. Where other motivators have supposedly worked, they are either money motivators in disguise or truly other motivators not acting on the group but rather individual workers within the group. Additionally, money motivators will be more prominent in stable, as opposed to volatile, organizations.²

2. At higher management levels, motivators other than money will become relatively more efficient. This implies that a substantial portion of higher salaries are interval payment for minimum service and that high fringe benefits are more likely to be in-kind transfers as incentive payments.

The basic hypothesis is not just that money will be the most efficient motivator for work groups, although it is the theoretical center for the complete hypothesis. The complete hypothesis includes an implied prediction about the current state of motivational management. Accepted management practices are probably not being utilized to their fullest extent. Therefore, productivity can be improved by implementing more of the accepted practices.

Basic Assumptions, Facts and Theories

In this study the focal point is performance, not satisfaction. Satisfaction is important only as it becomes dissatisfaction, and dissatisfaction is important only when enough exists to reduce performance.

Scientific management has assumed that workers increase their effort in order to maximize monetary gains. Logically extended, the assumption would be that workers will increase their efforts

to maximize gains, regardless of its form. Research often assumes this "law of effect" as the basic motive for human behavior; this study is no exception. Management is viewed as being basically hedonistic, regarding performance as most important.

By examining the implications of an efficiency approach, some basic guidelines become apparent. At first glance, the efficiency approach seems to suggest that it would be easy to find substitute motivators for money. This, however, is not altogether true. Economic theory tells us that a recipient's in-kind transfer utility is lower than the utility from money transfers. The inference is that a worker would rather have money with which he could fulfill a need off the job than an in-kind need fulfillment on the job. The suggestion is not, however, that money is always the best motivator.

The hypothesis that money is the best motivator only applies in very narrow circumstances and only in relation to certain needs. If there exists a minimum need for security, safety, etc. on or from the job itself (and the assumption is that this need exists), then the hypothesis cannot apply to things money cannot buy. Additionally, a management outlook that is assumed to be motivated by the law of effect will not use money motivation if another kind is more efficient.

Haire, et. al's, "interval-ration" theory seems to apply here. Interval-ration theory suggests that, "For example, about 70 percent of the total available (pay) might be given on a fixed interval for minimum services. The rest...incorporated into different variable ratio schedules made contingent on outstanding performance" (Opsahl and Dunnette, p. 40). Beyond interval payments would be ratio payments that could either be tendered as money or some other motivator.

Money could also be utilized as a motivator due to its ability to solve the aggregation problem. For example, should each of three workers hold desires that could ostensibly be satisfied at the work place, it would be essential that they desire the same reward and that they attach equal priorities to each desire before the same in-kind reward could substitute for money as a motivator. The inference is that when work groups exist and individual situations exist and other more efficient compensations than money would seem appropriate.

A discussion about money as a motivator would not be complete without examining the importance of the output-reward correlation. The degree to which money motivates is a function of worker perception of the probability that increased effort will lead to increased reward. Campbell, in 1952, and others since, have presented evidence that individual output decreases as the size of the work group increases due to decreased expectation of individual reward (Opsahl and Dunnette, p. 21). It seems, therefore, that to increase this expectation, even in larger groups, would tend to increase performance.

Workers certainly cannot produce satisfactorily if they do not know what to do or if they are not rewarded when they do it. Productivity, however, does not necessarily follow from knowledge of what work is expected or perceived correlation between output and reward. Exceptions, however, are very likely to indicate incompatible rewards, expectations, or workers (Opsahl and Dunnette, p. 21).

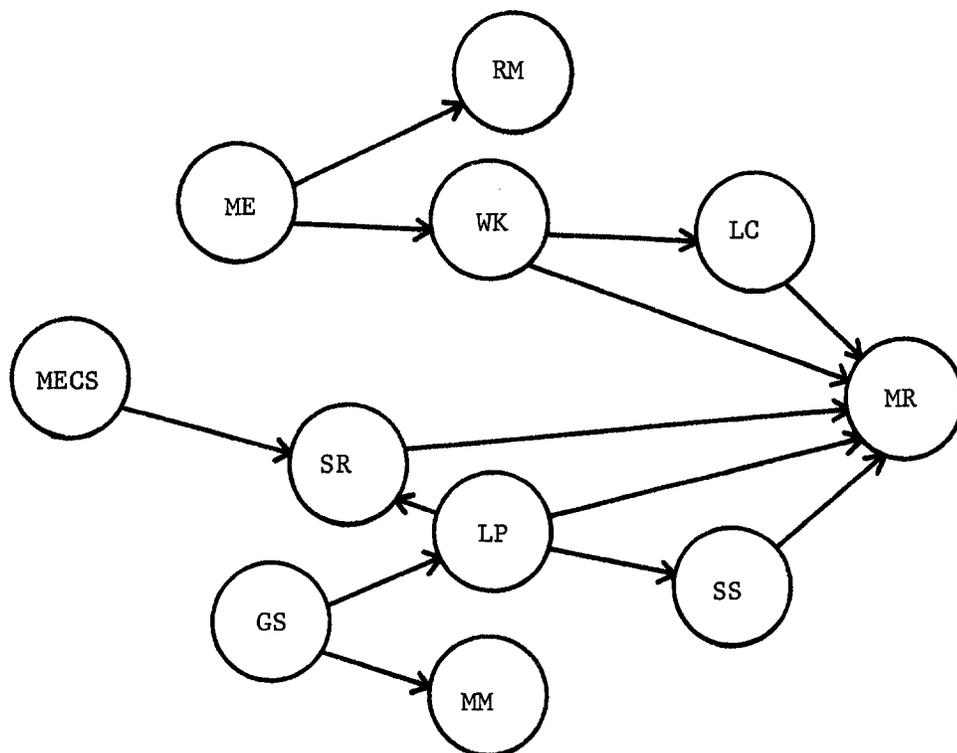
Basic Hypothesis Testing

The hypothesis will be tested and the objectives met by examining the correlation as well as the cause and effect between:

1. Management expectation of workers and worker's knowledge of those expectations.
2. Worker knowledge of management expectations and manager's rating of worker performance.
3. Management expectations and workers' rewards for meeting those expectations.
4. Management expectations for customer service and customer rating of that service.
5. Labor productivity and management's rating of worker performance.
6. Management's rating of worker performance and labor compliance to management's expectations.
7. Labor's compliance to management's expectations and workers' knowledge of management's expectations.
8. Manager's rating of workers' performance and degree of store success.
9. Management's rating of workers' performance and customer rating of service.
10. Customer rating of service and labor productivity.
11. Labor productivity and degree of store success.
12. Productivity and group size.
13. Money as a motivator and group size.

Because they represent "accepted management practices" a positive correlation is hypothesized for all the above pairs except for labor productivity and group size. The author's few observations, however, lead to the prediction of the thirteen pairs despite documentation proving them essential to good management.

Causal Loop
Summary of Predicted
Paired Correlations



Where:

- ME = Management expectations
- WK = Workers' knowledge of management expectations
- MR = Managers' rating of workers' performance
- RM = Rewards for meeting management expectations
- MECS = Management expectations
- SR = Rating of service by customers
- SS = Store Success
- LP = Labor productivity
- GS = Groups size
- LC = Labors' compliance to management expectations
- MM = Money as a motivator

Expectations are that managers' will rate workers' performance according to store success whether or not workers comply to their expectations. Similarly a positive worker rating should result from success in providing services customers desire whether or not they are included in management's expectations. Store success is expected to correlate positively with customers' store service ratings and with labor productivity despite the belief that productivity and service are mutually exclusive.

Once each situation is described through examining the first eleven correlation-pairs, the comparison between group size and the efficiency of money as a motivator can be made. Measuring the groups' impact on its members in increasing or curtailing productivity will also be necessary.

Anticipated Results and Implications

Anticipated results will imply the need to change management expectations of what is needed for success, the need to improve workers' knowledge of those expectations, and the need to increase the perceived probability of receiving rewards for acceptable work. The need to use more monetary reimbursements for large groups would also be implied.

The actual research is not yet in progress. However, the pilot study reinforced the most basic position that accepted management practices are not being successfully practiced. Whether or not the study substantiates the researcher's preconceptions with respect to management practices, productivity will be improved.

Savings from productivity improvement is the ultimate goal. As a result, retailers, farmers and customers are

likely to benefit. Retailers would be able to pay more and charge less. Demand for farm products would likely increase as customers respond to moderating retail prices.

The most immediate return will be improved worker productivity in each of the firms studied. Once efficiency-based theory is computerized using the relationships, variables, and parameters from the initial studies it can be applied to many more firms. Wider application means larger potential contribution to a much neglected portion of the management discipline; money in motivation theory.

Footnotes

- ¹Hereafter, references to employee productivity can be interpreted to mean management as well as labor productivity.
- ²A stable organization is one whose internal and external environments change in small predictable increments. A volatile organization is one whose internal and external environments change in large random increments.

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A MANAGEMENT AUDIT - THE ANALYSIS AND THE FOLLOW-UP

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Management audits have been utilized frequently as a means of assisting an individual firm with management problems and to secure information to use in educational programs. Very often, the audit is done, a report is made to the management of the firm, and the results are used in various educational programs and there the process ends. Seldom is there a planned follow-up evaluation of the audit's value to the firm involved.

This report summarizes the results of such a planned follow-up evaluation of a management audit of a seafood marketing cooperative. The audit itself was conducted and a report made to management in 1975.¹ The results also were used in several educational programs throughout the U.S.

It was felt, however, that a planned organized follow-up evaluation of the value of this study to the firm itself was desirable. This follow-up study was conducted in 1976.² In brief, the management had (within one year) implemented numerous recommendations in the areas of financial management, scope and type of operators,

and organization. They had done little in the areas of technology and productivity of hourly labor.

Footnotes

¹Report of Management Audit, Chatham Seafood Cooperative, Inc., MB 226, VPI & SU, Blacksburg, Virginia, August 1975.

²An Evaluation of the Management Program of the Chatham Seafood Cooperative, Inc., MB 249, VPI & SU, Blacksburg, Virginia, June 1977.