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Maslow and motivation

In the early 20th century, psychology focused on disorders in an attempt to answer the question of what went wrong. That changed with Abraham Maslow, who opted instead to focus on successful outliers such as Albert Einstein and Eleanor Roosevelt to determine what distinguished them. The findings in his 1943 paper entitled "A Theory of Human Motivation" contain precious secrets for anyone who manages people.

Maslow defined what he called a hierarchy of needs which is often pictorially depicted as a pyramid. The foundation of the pyramid includes basic, physiological needs such as food, water, clothing, shelter and rest.

The next higher level is safety and security. These include such requirements as physical and emotional safety, steady employment and financial security.

The third level of needs is love and belonging. Examples include acceptance, being part of a family and teamwork.

Maslow's fourth level identified our need for self-esteem. It includes a sense of accomplishment, recognition, respect and self-confidence.

Finally, at the peak of Maslow's pyramid is self-actualization. This includes realizing a high sense of purpose and the ability to creatively use one's unique skills and talents to make the world a slightly better place.

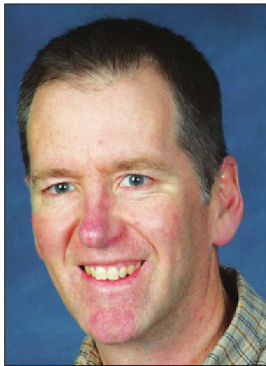
So what does all this have to do with managing people? First of all, employees' basic needs must be met. This includes:

- Pay must allow employees to meet basic needs, provide for some future security and be perceived as fair.

- The physical working environment must be safe and reasonably comfortable.

- Employees need to feel emotionally safe at work.

Each employee has their own minimum acceptable levels for these factors. Not meeting those minimum standards results in demotivation. According to



Rick Brimeyer

research by Gallop, 20 percent of all employees are actively disengaged ... they hate their job.

Interestingly, it's almost impossible to motivate employees via the bottom two levels. We can only demotivate by not meeting minimum requirements. Exceeding those requirements doesn't enhance motivation.

For example, consider those who follow the oil boom to North Dakota. They endure dangerous conditions under extreme weather, often without family. They are handsomely compensated, but are they truly motivated? Bribed might be a better description. Many have plans to simply endure for a while, make a quick buck and move on to other opportunities which fulfill higher level needs on Maslow's pyramid.

True motivation occurs by developing an environment where the higher level needs of belonging, self-esteem and self-actualization are regularly attained. Examples include:

- A team environment in which work is fairly shared and workers appreciate each other as individuals.

- Employees are trusted to make appropriate decisions, recognized for their contributions and never taken for granted.

- The work is meaningful and challenging, often requiring employees to learn new skills.

Again, as an example, consider that some of the most engaged workers on the planet are employed by nonprofits. Their pay is likely on the lower side, but it is adequate and fair. What sets them apart is that they are surrounded by a team that, like them, is committed to a cause.

Situated between demotivated and motivated employees are those who are neither. Their physiological and security needs are met, but their social, esteem and self-actualization needs go unfulfilled. To them, it's basically "a job." They will do what it takes to remain on the payroll, but little more. Although they may not actively seek out other employment opportunities, they will be willing to listen when a headhunter calls. Gallup's research indicates that half of all employees fit in this category.

This is impactful stuff. Motivated or engaged employees are estimated to accomplish three times as much as demotivated employees. They go the extra mile to keep customers happy, identify problems before they become a crisis, and care enough to make improvements. Best of all, motivated employees typically aren't even interested in listening to external opportunities.

The bottom two tiers of Maslow's pyramid can generally be accomplished with tolerable management and adequate funding for compensation, physical workspace and safety resources. The top three tiers simply cannot be purchased. They require leadership that understands what really makes people tick and is willing to invest personally in creating such a place. Perhaps that's why Gallup's research indicates that less than one in three employees is truly motivated.

RICK BRIMEYER is the president of Brimeyer LLC, an independent management consulting firm located in Ames which guides organizations to higher performance by focusing on process improvement and leadership development. Further information is available at www.brimeyerllc.com or by calling 515-450-8855.

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Measuring the markets: How informative are the indexes?

Measuring the Markets: How Informative are the Indexes?

Nearly every day we hear updates regarding the stock market. Pundits make references to the S&P 500 and the Dow Jones Industrial Average (DJIA) being up or down a number of points. How are these indexes measured? Are their performances a good gauge of the economy or a diversified portfolio?

The S&P 500 is arguably the most widely referenced index in the United States. It is comprised of 500 large publicly traded companies commonly referred to as large-cap stocks. The weighting of these 500 companies is determined by each company's market capitalization (market cap) which is calculated by multiplying the company's shares outstanding by its price per share.

As an example, Apple's market cap is roughly \$690 billion whereas Chipotle's is roughly \$23 billion. If used in a two-company, market cap weighted index, Apple would comprise 97 percent of the index. As such, the S&P 500 is heavily weighted toward giant companies.

Another index often referenced is the DJIA. Some may be surprised to find out that the DJIA is made up of only 30 large U.S. companies. The weighting of these 30 companies is determined solely by the price at which each company's stock trades. If, as it were on July 31, the stock prices of Nike and Cisco were \$115 and \$28, respectively, the DJIA would weight Nike approximately four times heavier than Cisco.

Interestingly, the S&P 500 would weight Cisco heavier than Nike because Cisco's market cap is larger.

Both the S&P 500 and the DJIA are useful indexes, but



James Kain

investors should understand the limitations of each. They employ different weighting methodologies and are comprised of a vastly different number of companies. Further, these companies are all large, domestic, and part of a single asset class.

These limitations prevent either index from being fully representative of the overall economy, or of an individual's diversified portfolio which both consist of multiple asset classes that perform differently from one another.

The next time you hear the S&P 500 is up or the DJIA is down, you will know these indexes provide only a portion of the whole story.

Securities mentioned are for informational purposes only. This is not an offer or recommendation to buy or sell any security and should not be considered as individual investment advice. Individuals cannot invest in indexes directly.

JAMES KAIN MBA is an investment adviser at Marris Wealth Management. jim@marriswealthmanagement.com