



Floodlights or Laser Beams?

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In order to make the kinds of improvements in business that we all aim for, we need to motivate people to engage their brains to the fullest, examine the current work processes critically, think deeply about root causes, and think expansively about possible solutions. We want them to consider alternatives, anticipate and minimize risks, implement planfully, and measure and evaluate results. And we usually want people to do all this while keeping up operational responsibilities as well.

So the challenge of motivating our team becomes very important.

In his recent book, *Drive, the Surprising Truth About What Motivates Us*, Daniel Pink explores the impact on performance of different approaches to motivation. We are all familiar with the traditional approach: to motivate people with if/then carrot and stick compensation. For example, *if you do something*, such as assemble 100 widgets an hour, bring the product development in on time, complete an improvement project, or increase the company's stock price, etc., *then you will get something* of extrinsic value, such as a bonus, a raise, stock option appreciation, (these are 'carrots') or you get to keep your job (the 'stick'). The thinking is that we get what we pay for, and the more tightly compensation is tied to specific business measures, the more of that measure we get. Behavioral economists call these carrots and sticks "extrinsic rewards".



Extrinsic Rewards—Motivators or Not?

Some of the drawbacks of extrinsic rewards have been recognized for some time. For example, any positive effect of extrinsic rewards on motivation is likely to wear off as the reward becomes expected. At that point the reward no longer motivates, but its absence de-motivates. And we might get some unethical behavior if the stakes are high enough and if barriers to cheating, such as personal scruples or risk of getting caught, are low enough. The past decade has illustrated many examples of these drawbacks. And there have been a number of studies over the past thirty years that indicate adding extrinsic rewards to inherently interesting tasks can dampen motivation and diminish performance. But absent these issues, we generally expect the carrot and stick approaches to help with motivation, and consequently, they are widely used.

Daniel Pink's research indicates that extrinsic rewards are indeed successful in some situations. They can inspire people to work longer or harder than they might otherwise, in order to win the reward. Substantial if/then rewards can focus the mind and increase effort. In *some* situations, effort is all it takes to get the needed results. For example, when the work is physical labor, pay for performance can inspire people to push their muscles to their fullest capacity. When the task has very clear steps (Pink refers to this as 'algorithmic') and is not inherently interesting, extrinsic rewards provide a helpful motivational boost.

But what was new and interesting in Pink's book was the research indicating that in many situations people motivated with extrinsic rewards actually produce *poorer* results — take longer to solve problems, or produce measurably less creative product. In 2009, the London School of Economics conducted a lengthy analysis of a number of

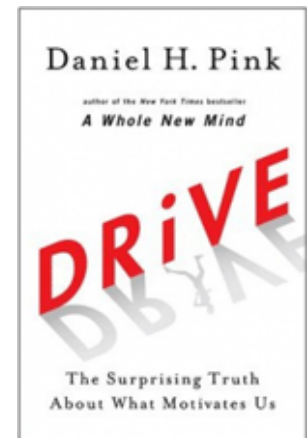
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corporate pay-for-performance plans and concluded: “We find that financial incentives ... can result in a negative impact on overall performance.” Similar conclusions resulted from a controlled experiment conducted by behavior economists to test the impact of compensation on performance. Volunteers were randomly divided into three groups to solve the same set of problems. One group was promised a very small sum, another group was promised moderate compensation, and the third group was promised a very large reward for reaching the performance targets. The researchers reported that “In eight of the nine tasks we examined across the three experiments, higher incentives led to worse performance.”

Several other studies pointed to the same outcome. In an experiment requiring creative problem solving, introducing monetary incentives to solve the puzzle faster resulted in substantially slower results! A study measuring the creativity of commissioned art compared to the same artists’ non-commissioned work found that independent reviewers rated the commissioned work equivalent to the non-commissioned work in technical quality but much lower in creativity.

The research he cites shows that if the work involves inventive problem-solving, thinking outside the box, going where no man has gone before, or indeed anything that does NOT have a well defined algorithm for success, then linking compensation to performance produces worse performance! Not only does it fail to increase the creative thinking and problem solving abilities needed to meet those targets — it actually *diminishes* them. (One wonders if this explains some of the Wall Street disasters of the last decade!)



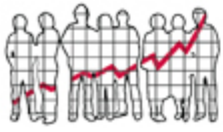
Tying Compensation to Specific Results Focuses the Mind Like a Laser Beam

One reason for this is that tying compensation to specific results focuses the mind like a laser beam — perfect for persevering through a clear and well-defined algorithm. But if the work demands that people think outside the box, envision new possibilities, anticipate risks or unintended consequences, and address threats before they materialize — that is, to operate more like a floodlight than a laser beam — extrinsic if/then rewards do not help at all. Instead they *limit* lateral thinking, result in less creative or inventive solutions, and cause people to take longer to solve problems that do not have a clear algorithm to get to the solution. (If you have ever seen the film where you count the white team’s basketball passes, you know how effective the brain is at tuning things out when focused on a specific goal! If you haven’t seen it, you can check it out at <http://www.youtube.com/watch?v=vJG698U2Mvo>. More than 50% miss something important and unexpected.) A laser beam focus can sometimes be a detriment.

Leadership, change management, process improvement all require ‘floodlight’ thinking, rather than ‘laser beam’ thinking. If extrinsic motivation such as tying compensation to performance can backfire with this type of work, how, then, are we supposed to motivate people? Pink provides some ideas that may help.

Three Effective Intrinsic Motivators: Autonomy, Mastery, & Purpose

Pink cites a number of entrepreneurs and researchers who maintain that we are most inventive and productive when we have some autonomy in directing our work. Several outstanding innovation companies simply allow people a certain percentage of time to work on creating something of value that is entirely of their own choosing. As far back as 1948 William McKnight, president and chairman of 3M, decided to permit the technical staff to spend 15% of their time on projects of their own choosing and it was on “15% time” that Post-it® notes were invented — one of their all time biggest hits! Google follows that example and lets their engineers spend 1 day a week (20%!)



working on a side project of their own. Pink quotes Google engineer, Alec Proudfoot: “Just about all the good ideas here at Google bubble up from 20 percent time.” In a typical year, Pink reports, “more than half of Google’s new offerings are birthed during this period of pure autonomy.” And some of our readers have also had great success by asking people to identify the problem they really want to fix and then empowering them to go do it.

Purpose can also provide a valuable intrinsic reward. Motivated by a worthy enough purpose, some people happily contribute their time and talents to solve important problems for no compensation whatsoever. For example, in the unprecedented British Petroleum oil blow-out, many scientists and engineers across the world are devoting their time *pro bono* to help invent a solution — simply because they are motivated by “purpose”. Many other individuals contribute their efforts, *for free*, to build open source software or to write entries in Wikipedia. How does working on improving your organization fit with the people’s value systems? Are you able to explain the purpose of your continuous improvement effort so that people understand why it is worthwhile? What will it do for your customers, for the community at large, for the employees and their families? Intrinsic motivation may be inspired by painting a clear vision of the worthiness of your purpose.

The third intrinsic motivation Daniel Pink describes is “mastery.” People enjoy reaching a state of engagement in the work that Pink calls “flow” — working toward mastery on a challenge that is not so easy that it bores one, nor too difficult to succeed with. Yet this level of engagement is not the norm. Gallup has done research on engagement concluding that 50% of employees in the United States are not engaged and 20% are actively disengaged! What a waste.

Keys to achieving a productive level of engagement or “flow” are clear objectives and a way to get quick feedback. Stefan Falk, vice president of Swedish telecommunications giant, Ericsson, created a “flow-friendly” environment by persuading the managers to configure the work into clear objectives and give people a way to get quick feedback. When he moved to Green Cargo, he went further — asking managers to meet with subordinates once *each month* to talk about how it was going. If they were overwhelmed or underwhelmed the manager would adjust work assignments accordingly. The result was more profits than the company had ever had in its 125 year history. One of the Conway Improvement Partners is Chuck Williamson, President of a specialty engineering design and manufacturing company. He has begun 1-on-1 meetings with his direct reports every month to discuss progress on the improvement projects they have individually selected and to provide them with timely feedback and support. So far, he has found this to produce excellent results.

A major challenge for leaders today is how to motivate every employee to bring all their attention, creativity, and talents to the job of improving the work, better serving the customers, and growing the business. Pink acknowledges that different people are motivated most strongly by different things. But even people motivated primarily by money become less inventive problem-solvers when offered if/then extrinsic rewards. He recommends that we compensate fairly (so as not to de-motivate) and then identify what intrinsic rewards best inspire your employees and co-workers to contribute their best engagement and creativity to achieve outstanding results for your enterprise.

“There’s a mismatch between what science knows and what business does”

Daniel Pink

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