

Performance needs purpose

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We've all met the eye-rollers. The leaders who say 'business-is-business' and 'people work to get paid'. The ones who leave 'pastoral care' to the HR team down the hallway. Because there's work to do and money to be made...

When it comes to engagement and motivation, they've got a frustratingly clear view: they're firmly in the driver's seat with performance-related pay; the more they give, the more they get back. It's as simple as that. It can be difficult to chip away at their certainty. So while phrases like 'engagement' and 'meaningful work' are heard in the boardroom, the energy and investment they're given doesn't match the worship of remuneration strategy.

It's time for a tougher pitch

The pay-for-performance practices that dominate the corporate world are built on a foundation of standard economic theory. People act in their own interests, so they'll work harder if there's money on the table. The competition that's fostered between employees scrapping for a limited bonus pot will serve to push the business forward. Those at the bottom can be left behind. Hmmm...

Just as behavioural economics has shown standard theory to be terrible at predicting human behaviour, there's little connection between pay for performance and the volumes of [academic research](#) on motivation and goal setting. One of our most pernicious systems, forced distribution ranking, is an almost perfect asymmetry of the evidence; it's like we studied human behaviour and flipped the findings on their head...

- By labelling over half our employees' average or below by design.
- By driving a competitive wedge between teams and fostering mistrust between people and their managers.
- By enforcing a process that removed any sense of independence and control.

Perhaps in retrospect, we shouldn't need academia to tell us this would have a bad end. As [Dan Ariely](#) says, it prompts a miserable and obvious question: 'Really? That's it? That's the reason I'm here?'

Self-determination theory and purposeful work

Self-determination theory is a [macro theory](#) of human motivation. It studies how our behaviour and performance changes according to what drives us...

- Inside-out – pleasure, values or the satisfaction of psychological needs.
- Outside-in – the punishments and rewards of an outside entity.

Inside-out is the top of the pops. But it requires us to feel good about the contribution we're making (competence); have control over our work (autonomy) and feel positively connected to our peers (relatedness). When we're in this state, we're not acting for reward or avoiding outside disapproval – we're acting for ourselves. It's a win-win because we bring heightened levels of excitement and confidence, better [task performance](#) and [improved creativity](#) to our work. We're also happier as a result; the pillars connect directly to a critical component of our well-being academics call 'eudemonic' – we reach for personal [meaning and purpose](#).

Unfortunately, the two forms of motivation don't play nicely. Pay-for-performance doesn't just fail to promote our three pillars, it bullies them away with a brash reminder 'we're doing it for the money'. Purposeful work isn't about avoiding a good and fair basic salary, mind; it's just moving away from the illusion that performance will differ based on the variability of the reward. For knowledge workers particularly, there's scant evidence that's the case.

So how do we help people 'self-determine' their performance?

Let's work from relatedness, competence and autonomy... We need to feel connected to one another, so how about a shared purpose that's powerful enough to bring people together? It needs to be more than annual profits, rising share price and innovation for innovation's sake, but it can't leave commercial growth by the wayside. It needs to find the social impact we bring to the world and put it at the core of our business strategy. If you want a model of success, look to [Unilever's Sustainable Living Plan](#).

That's good, but it's not enough to improve employee performance on its own. We need to take that abstract vision and democratise it – help people understand the important part they play and give them time and space to interpret it personally. We need to allow each other to take ownership of our contribution and the impact we make. Now that's easier said than done, but it's an approach based on firm empirical ground. It deserves attention, resources and exploration.

In the modern economy, we can't simply pay people to perform. Those who cling to this view are not 'rational' or 'hard' or 'commercial'. They're wrong. The future of performance needs us making connections; not just writing cheques. Performance needs purpose.



Notes:

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