Daniel Pink on Incentives and the Two Types of Motivation

There are two types of motivation: intrinsic and extrinsic. Both are very different and lead to disparate outcomes. Here's how to make the most of motivation, both for yourself and others.

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Motivation is a tricky multifaceted thing. How do we motivate people to become the best they can be? How do we motivate ourselves? Sometimes when we are running towards a goal, we suddenly lose steam and peter out before we cross the finish line. Why do we lose our motivation part way to achieving our goal?

Dan Pink wrote an excellent book on motivation called Drive: The Surprising Truth About What Motivates Us. We've talked about the book before, but it's worth going into a bit more detail.

When Pink discusses motivation, he breaks it into **two specific types: extrinsic and intrinsic**.

Extrinsic motivation is driven by external forces such as money or praise. Intrinsic motivation is something that comes from within and can be as simple as the joy one feels after accomplishing a challenging task. Pink also describes two distinctly different types of tasks: algorithmic and heuristic. An algorithmic task is when you follow a set of instructions down a defined path that leads to a single conclusion. A heuristic task has no instructions or defined path, one must be creative and experiment with possibilities to complete the task.

As you can see, the two types of motivations and tasks are quite different.

Let's look at how they play against each other, depending on what type of reward is offered.

Baseline Rewards

Money was once thought to be the best way to motivate an employee. If you wanted someone to stay with your company or to perform better, you simply had to offer financial incentives. However, the issue of money as a motivator has become moot in many sectors. If you are a skilled worker, you will quite easily be able to find a job in your desired salary range. Pink puts it succinctly:

> Of course the starting point for any discussion of motivation in the workplace is a simple fact of life: People have to earn a living. Salary, contract payments, some benefits, a few perks are

> what I call “baseline rewards.” If someone’s baseline rewards aren’t adequate or equitable, her focus will be on the unfairness of her situation and the anxiety of her circumstance. You’ll get neither the predictability of extrinsic motivation nor the weirdness of intrinsic motivation. You’ll get very little motivation at all. The best use of money as a motivator is to pay people enough to take the issue of money off the table.

Once the baseline rewards have been sorted, we are often offered other ‘carrots and sticks’ to nudge our behavior. Many of these rewards will actually achieve the opposite effect of what was intended.

‘If, then’ Rewards

‘If, then’ rewards are when we promise to deliver something to an individual once they complete a specific task. If you hit your sales goals this month, then I will give you a bonus. There are inherent dangers with ‘if, then’ rewards. They tend to prompt a short term surge in motivation but actually dampen it over the long term. Just the fact of offering a reward for some form of effort sends the message that the work is, well, work. This can have a large negative impact on intrinsic motivation. Additionally, rewards by their very nature narrow our focus, we tend to ignore everything but the finish line. This is fine for algorithmic tasks but hurts us with heuristic-based tasks.

> Amabile and others have found that extrinsic rewards can be effective for algorithmic tasks – those that depend on following an existing formula to its logical conclusion. But for more right-brain undertakings – those that demand flexible problem-solving, inventiveness, or conceptual understanding – contingent rewards can be dangerous. Rewarded subjects often have a harder time seeing the periphery and crafting original solutions.

Goals

When we use goals to motivate us, how does that affect how we think and behave?

> Like all extrinsic motivators, goals narrow our focus. That’s one reason they can be effective; they concentrate the mind. But as we’ve seen, a narrowed focus exacts a cost. For complex or conceptual tasks, offering a reward can blinker the wide-ranging thinking necessary to come up with an innovative solution. Likewise, when an extrinsic goal is paramount – particularly a short-term, measurable one whose achievement delivers a big payoff – its presence can restrict our view of the broader dimensions of our behavior. As the cadre of business school professors write, ‘Substantial evidence demonstrates that in addition to motivating constructive effort, goal setting can induce unethical behavior.
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> The examples are legion, the researchers note. Sears imposes a sales quota on its auto repair staff – and workers respond by overcharging customers and completing unnecessary repairs. Enron sets lofty revenue goals – and the race to meet them by any means possible catalyzes the company’s collapse. Ford is so intent on producing a certain car at a certain weight at a

certain price by a certain date that it omits safety checks and unleashes the dangerous Ford Pinto.

The problem with making extrinsic reward the only destination that matters is that some people will choose the quickest route there, even if it means taking the low road.

Indeed, **most of the scandals and misbehavior that have seemed endemic to modern life involve shortcuts**. Executives game their quarterly earnings so they can snag a performance bonus. Secondary school counselors doctor student transcripts so their seniors can get into college. Athletes inject themselves with steroids to post better numbers and trigger lucrative performance bonuses.

Contrast that approach with behavior sparked by intrinsic motivation. When the reward is the activity itself – deepening learning, delighting customers, doing one's best – there are no shortcuts. The only route to the destination is the high road. In some sense, it's impossible to act unethically because the person who's disadvantaged isn't a competitor but yourself.

These same pressures that may nudge you towards unethical actions can also push you to make more risky decisions. **The drive towards the goal can convince you to make decisions that in any other situation you would likely never consider**. (See more about the dangers of goals.)

It's not only the person who is being motivated with the reward that is hurt here. The person who is trying to encourage a certain type of behavior also falls into a trap and is forced to try and course correct which, often, leaves them worse off than if they had never offered the reward in the first place.

The Russian economist Anton Suvorov has constructed an elaborate econometric model to demonstrate this effect, configured around what's called 'principal-agent theory.' Think of the principal as the motivator – the employer, the teacher, the parent. Think of the agent as the motivatee – the employee, the student, the child. A principal essentially tries to get the agent to do what the principal wants, while the agent balances his own interests with whatever the principal is offering. Using a blizzard of complicated equations that test a variety of scenarios between principal and agent, Suvorov has reached conclusions that make intuitive sense to any parent who's tried to get her kids to empty the garbage.

By offering a reward, a principal signals to the agent that the task is undesirable. (If the task were desirable, the agent wouldn't need a prod.) But that initial signal, and the reward that goes with it, forces the principal onto a path that's difficult to leave. Offer too small a reward and the agent won't comply. But offer a reward that's enticing enough to get the agent to act the first time, and the principal 'is doomed to give it again in the second.' There's no going back. Pay your son to take out the trash – and you've pretty much guaranteed the kid will never do it again for free. What's more, once the initial money buzz tapers off, you'll likely have to increase the payment to continue compliance.

Even if you can trigger the better behavior it will often disappear once incentives are removed.

> In environments where extrinsic rewards are most salient, many people work only to the point that triggers the reward – and no further. So if students get a prize for reading three books, many won't pick up a fourth, let alone embark on a lifetime of reading – just as executives who hit their quarterly numbers often won't boost earnings a penny more, let alone contemplate that long-term health of their company. Likewise, several studies show that paying people to exercise, stop smoking, or take their medicines produces terrific results at first – but the healthy behavior disappears once the incentives are removed.

When Do Rewards Work?

Rewards can work for routine (algorithmic) tasks that require little creativity.

> For routine tasks, which aren't very interesting and don't demand much creative thinking, rewards can provide a small motivational booster shot without the harmful side effects. In some ways, that's just common sense. As Edward Deci, Richard Ryan, and Richard Koestner explain, 'Rewards do not undermine people's intrinsic motivation for dull tasks because there is little or no intrinsic motivation to be undermined.'

You will increase your chances for success when rewarding routine tasks using these three practices:

1. Offer a rationale for why the task is necessary.
2. Acknowledge that the task is boring.
3. Allow people to complete the task their own way (think autonomy not control).

Any extrinsic reward should be unexpected and offered only once the task is complete. In many ways, this is common sense as it is the opposite of the 'if, then' rewards allowing you to avoid its many failings (focus isn't solely on the prize, motivation won't wane if the reward isn't present during the task, etc…). However, one word of caution – be careful if these rewards become expected, because at that point, they are no different than the 'if, then' rewards.