Event Report: ‘Market or Racket: do we need a new approach to executive pay?’

Academic presentation – How should we think about motivation beyond pay?

Dan Cable, Professor of Organisational Behaviour, London Business School

Dan Cable’s presentation focused on how people are intrinsically motivated, how businesses can make the most of this in the workplace, and the impact on performance.

Cable began by discussing ‘intrinsic motivation,’ where people take actions because they inherently want to, for their own sense of learning, achievement and even curiosity. He highlighted evidence in neuroscience of a switch-like mechanism in the brain called the ‘seeking system’, which urges humans to explore cause and effect and to help us solve problems. He gave the example of when you dangle car keys in front of a baby, they will try to reach out and touch the keys, even though actively interacting with an unknown object may be questionable from an evolutionary or risk standpoint.

In contrast to humans being intrinsically motivated to explore and be curious, Cable argued that corporate culture is currently largely set up to reward efficiency and productivity. This creates an inherent tension between the corporate system and human nature. Cable said that companies have evolved over the past 150 years to require employees to replicate processes, with directions coming down from the top for implementation in factories, stores and offices. Cable referenced Henry Ford, an early proponent of efficient industry who instituted a five-day work week for Ford employees. This gave workers time to rest and explore independent thought on weekends, while requiring them to perform set duties in the mass production line during the week.

Cable’s research shows that in the 21st century, with the rapid pace of technological development and changing employee attitudes, companies are facing increased pressure to adapt existing ‘command and control’ industrial age models to more agile and human-centric approaches. Cable described seeing a generational shift in terms of motivation and engagement. He said that research shows that many millennials, people born between being 1981 and 1996, appear more flexible on remuneration than previous generations, in favour of jobs which they feel are meaningful. According to Cable, millennials are more willing to take pay cuts to work for a company where they feel valued.

Cable suggested that it may be more difficult for people to derive the same kind of meaning from their work now compared to in the past. He gave the example of a large international shoemaker today versus a high street family shoe store generations ago. In the past, you may have had a small number of people working together in a store in a small town. Each day they would make and sell shoes to local customers. They would see their shoes on people’s feet as they walked around town, which helped to bring satisfaction and meaning to the shoemakers. Cable said that in today’s world, as companies become larger and roles become more specialised, people are unable to see the fruits of their labour in quite the same way as previous generations. With the expanding gig economy providing more options for people to be entrepreneurs and work for themselves, as well as a growing need to embrace the best ideas in different levels of an organisation, Cable said there is urgent need for management to consider new approaches to employee engagement.

How you engage employees today is a key question companies are grappling with. Of course pay is an important element, however Cable also presented examples of other types of incentivisation. Working flexibly, such as amended working hours and the option to work from home, is shown to be particularly appealing to parents. In recent years companies have tried introducing numerous perks into the workplace, such as free snacks, the ability to bring your dog to the office, gym access, and
in-house doctor services. Cable pointed out that companies tend to try to replicate good ideas across different offices or stores, but that this often does not have the same impact, with worker needs varying greatly across individual locations and cultures.

Cable said that companies should consider creating safe zones, through play and experimentation to help stimulate the ‘seeking system’ and foster intrinsic motivation. To motivate people in the workplace, Cable argued that companies should help each employee bring their most authentic self to work. He gave an example from his research of a customer support call centre in India. In this industry, companies face high rates of annual employee turnover, ranging from 50% to 70%. In an experiment, Cable and his fellow researchers asked the company to change their onboarding process for one hour of new starters’ first day at work. The researchers’ theory was that people like to think of themselves as having a special ability, and if you can recognise and value this individual identity in the workplace, you will help motivate them and lead to better employee satisfaction and retention. In the experiment, the company brought in a senior leader to speak to new starters about the company’s values and individual opportunities, and crucially, encouraged them to share their own personal stories and unique skills with the group. The experiment led to the new employees feeling able to bring their best selves to work. This resulted in increased customer satisfaction and was attributed to more than 33% greater employee retention in the new employees’ first six months with the company. Cable said that when people can bring their whole authentic selves to work, and feel their employer recognises this, they are more motivated and perform better.

When thinking about executive pay as motivation for performance, companies should also consider other types of incentivisation and ways to improve engagement. Cable’s discussion of intrinsic motivation, changing attitudes to work, and the growing need for companies to adapt, provides much food for thought for companies when building compensation packages.