

Strengthening performance through greater employee engagement

Leaders can enhance engagement by tapping into workers' intrinsic and extrinsic motivators.



Introduction

You've undoubtedly heard the old saying: "Your company is only as good as its people." So it should come as little surprise that businesses staffed with highly engaged employees perform better than those whose workers count down the minutes to quitting time. Engaged employees are more motivated, more productive, and cut down on churn by staying at their jobs longer. Conversely, disengaged employees drag down a company's bottom line and negatively affect everything from workplace morale to customer service, product quality, productivity, and sales.

Businesses, however, are not doing nearly enough to harness their employees' desire to excel at their jobs, and this dampens their overall performance. There is the opportunity to do much more.

There are three main reasons why employee engagement is so important for today's companies. First, fast-changing business environments require that companies move quickly. Amid change, employees at all levels are likely to be faced more frequently with unanticipated and ambiguous situations. Leaders need to rely on them to act independently but remain true to organizational objectives, culture, and values.

The second reason involves resource allocation. These days, even workers in the biggest companies must do more with less. You can count on the extra discretionary efforts of engaged workers in these lean environments.

Third, engaged workers contribute to a stronger work environment. This makes it possible to attract and retain the best talent, because people look for work environments in which they can grow and contribute. High levels of engagement result in better organizational performance, which opens the door to other engaged employees—and the virtuous cycle continues.

But what exactly is employee engagement? Engagement refers to the commitment employees feel toward the organization (e.g., their willingness to recommend it to friends and family, their pride in working for it, and their intentions to remain a part of it). But, at its core, engagement is about motivation—employees' willingness to contribute discretionary effort and go the extra mile for the organization.

The key consideration for companies of all sizes and stripes is whether or not their employees are positioned to act in ways to advance the organization toward its goals. Engagement is a primary means of aligning these efforts. While engagement is commonly tracked through composite measures, we believe organizations can gain deeper insight by examining the component parts. That is, by breaking engagement apart, we can understand it more fully.

Intrinsic and extrinsic motivation

Not all motivation is created equal. Broadly, there are two types: intrinsic, which is internally derived, and extrinsic, which is externally derived.

Intrinsic motivation is internal to the individual and inspired by experiences that connect with self-concept and personal drives. Tasks that are inherently interesting or enjoyable tap into workers' intrinsic motivation. Employees work for the excitement, accomplishment, and personal satisfaction they feel both in the process of carrying out activities and in the results. Intrinsic motivation is most likely to occur when activities align with personal attitudes, orientations, or values, or when the work is personally meaningful in some way.

In contrast, extrinsic motivation is external to the individual and influenced by the organization and work environment. Behavior is forged by the influence of outside sources such as social norms, peer influence, authority, or promises of reward. An employee who is extrinsically motivated might be focused on the utility of the activity rather than the activity itself. This is not to say that extrinsic motivation is less effective or important. Rewards and incentives are critical for directing efforts toward the right organizational goals and providing employees with the inducements needed to perform at high levels.

Still, extrinsic motivators will not work effectively unless there is clarity about behavioral expectations and resulting outcomes. For employees to be extrinsically motivated by financial incentives, they must understand the criteria on which they are evaluated, what success looks like based on those criteria, and whether there is alignment between the volume of work it takes to be successful and the payouts they expect to receive as a result.

Motivation, engagement, and performance

Our research confirms that motivation is a key component of employee engagement. Among the five components of our engagement index, the extent to which employees feel intrinsically motivated to do more than is required is the top predictor of overall engagement, followed by the extent to which the company extrinsically motivates employees to do more than is required of them. Accordingly, investments in motivation can yield the highest return on overall engagement.

Our normative benchmarks also suggest that motivation is associated with improved performance. More specifically, we find that 60% of employees who exceed performance expectations are motivated by their organizations, compared with 55% of those who meet expectations and 48% of those who do not.

Although these numbers are compelling, the performance distinctions are not as sharp as with varying levels of intrinsic motivation, suggesting that intrinsic motivation might be a better performance differentiator. In absolute terms, when we isolate those who exceed performance expectations, we find that a significantly higher proportion report feeling intrinsically motivated (76%) than extrinsically motivated (60%). Then, in relative terms, when we compare those who meet expectations with those who exceed them, we find a larger difference in those who indicate feeling intrinsically motivated (+9 percentage points, from 67% to 76%) than extrinsically motivated (+5 percentage points, from 55% to 60%). As well, intrinsically motivated workers tend to be more creative, solve problems more efficiently and effectively, and demonstrate better conceptual thinking.

Figure 1
The connection between intrinsic motivation, extrinsic motivation, and employee performance

	“I feel motivated to do more than is required of me” (intrinsic motivation)	“The company motivates me to do more than what is required” (extrinsic motivation)
Exceeds performance expectations	76%	60%
Meets performance expectations	67%	55%
Does not meet performance expectations	57%	48%

The intrinsic-extrinsic motivation gap

In the world of business, each of us is fueled by a cocktail of intrinsic and extrinsic motivations that are not always equally apportioned. According to our benchmarks, 67% of employees are engaged, globally. With 70% of employees feeling personally motivated to do more than is required of them, intrinsic motivation has a positive impact on overall engagement levels. At the same time, the 59% of employees who believe that the company motivates them to do more than is required (our lowest-scoring engagement item) are pulling overall engagement scores down.

Intrinsic motivation is consistently higher than extrinsic motivation, and the phenomenon is pervasive. We identify this motivation gap regardless of organizational geography or industry, and we observe this same pattern when we look at differences across employee demographics such as tenure, age, gender, or performance levels. This tells us that organizations rely too heavily on the innate motivation employees bring to work with them each day, and that there is a distinct opportunity for organizations to improve their ability to motivate behavior.

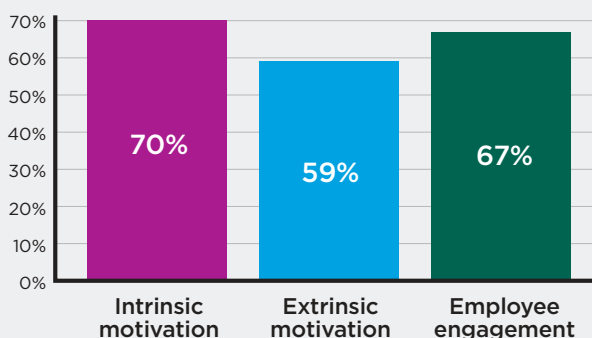
Companies are not doing enough to create environments for workers' intrinsic motivations to take root. Employees are coming to work ready to satisfy internally focused needs and goals, but organizations are not keeping up their end of the bargain by providing the additional inducements needed to harness this energy. Our research confirms that there are distinct opportunities for organizations to improve their ability to enable energized employees to perform at their best. For example, confidence in the ability to achieve career objectives is one of the most critical drivers of engagement, yet only 54% of employees hold positive views in this area. Additionally, 30% of employees claim they are missing the authority they need to do their jobs well, 47% struggle to receive adequate support from other teams, and 49% give organizations low marks for being effectively organized and structured.

Gaps between intrinsic and extrinsic motivation create an internal state of tension. In response, employees often attempt to close these gaps to create consistency across motivation sources. They might seek out opportunities for the organization to meet them where they are and improve their extrinsic motivation in the form of pay raises or bonuses, enhanced benefits, improved work environments, or opportunities to assume new roles. If they are unsuccessful at improving their extrinsic state, intrinsic motivation could suffer, as employees choose not to acknowledge or appreciate how much their work experiences validate internal needs and values.

Worse, they could disengage altogether and look for opportunities elsewhere. Indeed, we found that employees who plan to stay with an organization only one to two years have a motivation gap of 14 percentage points, 3 percentage points greater than the norm.

Figure 2

Korn Ferry Hay Group global employee opinion normative benchmarks for intrinsic motivation, extrinsic motivation, and employee engagement



Source: Korn Ferry Hay Group's Global Employee Opinion Database, 2017.

Closing the gap

What can organizations do to maximize engagement? It's critical to understand and leverage the key work environment factors that impact intrinsic and extrinsic motivation.

Our conceptualization of intrinsic motivation holds that it results from work experiences that resonate with employees in terms of their individual needs, wants, values, and abilities. Indeed, we found the primary driver of intrinsic motivation to be the presence of challenging and interesting work, followed by the absence of barriers to success. In combination, this suggests that an organization's enabling structures and processes are key, job-focused elements of intrinsic motivation.

There are also environmental elements that can influence the extent to which employees feel supported at work. Our research shows that intrinsic motivation is also driven by a workplace's appreciation for employee differences, opportunities to devise new ways of working, and recognition or praise from immediate managers. Together, these drivers suggest that employees who believe that work is within their control, and feel validated for the work they do, are better positioned to have a lasting impact based on their unique contributions to organizational goals.

Conversely, our conceptualization of extrinsic motivation holds that it is influenced by formal inducements employees receive in the form of rewards or status (including earning a promotion, receiving a high performance rating, having exposure to senior leaders, or leading a highly visible team or project).

Our research suggests that extrinsic motivation is driven primarily by the extent to which organizations attract high-quality employees. A strong employee value proposition signals that the organization has a strong reputation in the market and is capable of recruiting key talent. But, perhaps more importantly, it also supports the perception that employees work for a winning organization, where organizational success may be seen as equating to individual success.

The availability of career opportunities also drives extrinsic motivation. Certainly, the opportunity to develop new knowledge, skills, and abilities has intrinsically motivating properties, particularly if the process provides access to challenging and interesting work. At the same time, however, these opportunities open doors to new projects, experiences, and roles, whether lateral or vertical in nature, which externally validate employees' abilities and create opportunities for greater status or visibility.

To support intrinsic motivation:	To support extrinsic motivation:
Create opportunities for employees do to challenging and interesting work that fully leverages their skills and abilities	Establish a strong value proposition to attract key talent and remind employees why they work for a winning team
Remove bureaucracy, poorly designed processes, and other institutional barriers that stand in the way	Help employees to connect learning and development opportunities with future roles and career paths
Empower employees to devise new ways of working based on their unique differences and perspectives	Ensure financial rewards are fair and competitive without overstating the importance of rewards as a motivator
Encourage managers to recognize employees who go above and beyond	Publicly recognize exceptional performance

Recognition can also provide extrinsic motivation through status and visibility. But when managers provide recognition and praise for good work, it can be intrinsically motivating as well. Managers are central to work experiences and develop one-on-one relationships with employees. Praise and recognition from someone who understands the nature and context behind the work and appreciates its complexity likely validates employees' internal need to do work that reflects their capabilities to their fullest. In this sense, the work is personal, and praise is as much a reflection of one's abilities as it is about one's output. At the same time, when employees are publicly recognized for good work in a broader sense, without reference to praise from others close to them, it is extrinsically motivating.

Your next steps

By implementing the right steps at the right pace, organizations can work to close motivation gaps or, at a minimum, ensure they do not grow wider. Below is a three-step plan for enhancing employee motivation and maximizing the return on your employee engagement efforts.

Identify misalignment. Start by profiling your workforce to understand where the most significant motivation gaps exist. These employees are likely to experience the greatest tension and may be at risk for disengagement via reduced intrinsic motivation or possible attrition from the organization altogether. Action plans can be targeted accordingly.

Drive extrinsic motivation. As low levels of extrinsic motivation are the primary source of motivation gaps, enhancing extrinsic motivators typically presents the biggest opportunity for organizations. And, from a practical perspective, organizations can often do more to influence extrinsic motivation. Many organizations struggle to affect sources of intrinsic motivation (e.g., curiosity and genuine interests), and job-related tasks may not always be intrinsically motivating. Instead, you can focus first on external factors (e.g., tangible rewards, available supporting structures) that are easier to manipulate. The good news? These steps are likely to have indirect effects on intrinsic motivation as well.

Nurture intrinsic motivation. While intrinsic motivation can be more challenging to influence, organizations would be remiss to neglect it. First off, you don't want the introduction of any extrinsic motivators to have a negative impact on intrinsic motivation. The relationship between tangible rewards (such as pay) on intrinsic motivation is hotly debated. But you

want to be sure that rewards do not in any way draw employees' attention away from the meaning and fulfillment they find in their work. More importantly, if organizations are patient, there are real opportunities to enhance intrinsic motivation by focusing on the key drivers we've identified.

The bottom line: When intrinsic and extrinsic motivation are more aligned, the result will be higher engagement and more inspired performance.

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