

More for Less: Getting the Best Performance for the Least Monetary Outlay

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A transformational leader is able to get people to feel united, to feel part of a tribe. This feeling helps in building both engagement and productivity because people are genetically wired to work hard to support the tribe—just like their ancient hunter-gatherer ancestors did. The survival and prosperity of the group becomes their mission. Like all the really effective ways of improving productivity, encouraging managers and leaders to be more transformational in the way that they go about their business takes time because it involves a new mindset, but costs little, if anything, in direct cash outlay.

When Josh, a Senior Manager in one of the large global advisory firms, came in for his annual performance review he knew immediately that he was in some trouble. The partner giving him the review, Petra, sat there with a stony face as if she was holding herself in, afraid of what she was going to say. Obviously, she would have rather been anywhere else, doing anything else but in that room giving a negative review to someone who had been, a couple of years ago, a rising star and her protégée.

“This is going to be a very difficult conversation,” she began. For nearly 20 minutes, she went through all Josh’s failings over the previous year. His performance was slackening off, his figures were down, he was late with reports and there had been complaints from clients. Worst of all, it was very much the same

conversation that she had had with him a year earlier. Then she had tried to motivate Josh by:

- Going over in detail the facts of his underperformance—he had even agreed that she was right—and trying to get him to see that it was in his interest to try harder.
- Threatening to deprive him of his bonus.
- Promising to recommend that he get a larger bonus if he would just regain his previous commitment to the job.
- Telling him that if the situation continued he would be in danger of losing his job.

She could not understand how someone who had a promising career ahead of him and who had the prospect of high earnings could be doing no more than going through the motions.

In a way, this conversation mirrors the dilemma that every business owner faces. Until

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very recently, the standard performance drivers, for staff or customers, have been:

- Information (facts, data, reasoning): The assumption here is that humans are rational beings and once they have the facts they will see reason and alter their behavior.
- Money (higher salaries, bonuses, lower prices): Many leaders cling to the belief that “money solves everything” and assume that this must be a powerful driver of motivation and higher productivity.
- Threats (lower bonus, unemployment, higher prices): It is true that threats will work in the short term. From this comes the assumption that being under constant threat will drive the looked-for productivity increase.

Almost all motivation has boiled down to using these three supposed powerful drivers of performance.

Recent scientific discoveries in the fields of psychology and behavioral neurogenetics show that the use of these drivers is often misguided. The business leaders and their managers are missing out on huge potential benefits derived from using other performance improvement techniques, which cost almost nothing to implement.

Money, Facts and Reason

The problem is that all three of these assumptions are wrong, and we know this because we now know that human beings operate quite differently to the way that we assumed that they did.

Take the idea that you only have to give people the facts and they will be motivated to act rationally. One might have thought that this idea would have died with the advent of behavioral economics. Modern economists have discovered that people do not act rationally and are quite immune to the power of reason when deciding what course of action to take regarding their finances. Giving them the facts is useless in terms

of altering behavior. If this is true of finance and economics, why should it be false in any other area of our lives? The answer, as research has abundantly proven, is that it is not (Katzenbach and Khan, 2010).

The same can be said of the idea that money is a powerful, all conquering motivator. It is indeed a motivator of sorts, and for some people, a significant one. However, for the vast majority of employees and customers, it is weak (Katzenbach and Khan, 2010).

This is something that our clients wrestle with. Managers are constantly being asked by their staff members for increases in pay, or an added bonus. Sales reps and partners insinuate they would be able to sell more houses, bottles of perfume or legal services if only they could discount the price. The sirens are relentless and they have loud voices with which to sing their songs. Sometimes, it is hard to resist ‘the obvious’ and give the pay raise or allow the discount.

The increased money reward (the reduced sale price, the bonus, the pay increase, the new ‘benefit’) becomes so ‘normalized’ that it becomes expected and divorced from the hoped for productivity benefit that led to it. Once an incentive is normalized, it loses all motivational power.

Threats, as we often say, can direct specific actions, not change behavior (De Hooget al., 2006). This has been shown by abundant studies that have also shown that threats have a negative productivity effect in the long term and only serve to encourage good people to leave. Of course at times, there is a place for threatening unpleasant consequences—in an emergency situation for example—when you want an individual or a group to immediately carry out a specific action. But these cases are rare and have no place in day-to-day management.

The problem is that increasing money or giving facts or threatening even dire consequences such

as dismissal, does not lead to lasting behavioral change and therefore does not increase productivity.

What Is Reward? The Neurogenetics of the System

If money, threats and facts do not work, what does?

I am frequently asked to talk to associations of lawyers, accountants, governance, risk and compliance leaders, HR professionals and CEOs about what light the latest findings in the fields of psychology and behavioral neurogenetics throw on what they are doing and how best to motivate their clients and people. One of the things I get asked most is how the brain's reward system works and how that affects the manager's task of getting motivation and improving productivity.

It is a crucial question as this system affects just about everything that we do in our business and personal lives—virtually all of our behaviors at work or outside are driven by the operation of what is often called the 'dopamine reward system', or, more accurately, the 'mesolimbic dopamine circuit'.

Under normal conditions, the circuit controls an individual's responses to primary rewards such as food, sex and social interactions.

In simpler terms, activation of this system or circuit tells the individual to repeat what it just did to get a repeat of the reward. It also tells the memory centers in the brain to pay particular attention to all features of that rewarding experience, so it can be repeated in the future. Reward is therefore geared to maintaining or changing behavior.

If we are rewarded for doing a particular task in a particular way—especially if the reward is repeated enough times—we permanently change both our behavior and our mindset to incorporate a belief in the rightness of that behavior.

For example, a supervisor may see that an employee is performing a task differently from the way she normally does. She is perhaps paying more attention to detail than usual. If he praises her for it and continues to do so the next few times he catches her giving that extra attention, she will come to adopt that greater detail attention as a part of her way of working in order to get the reward. The new actions will become established as 'the' way of doing the task; there will be a 'mindset' change leading to a permanent productivity improvement.

We experience the reward through a sense of pleasure, satisfaction or even contentment depending on the rewarding experience. The neurochemical dopamine is the primary agent of this reward—hence it being called the 'pleasure' or 'reward' element. Praise is one of the most powerful of motivators because it gives the brain an immediate boost of dopamine.

The brain's reward system is itself controlled by two genes which are called 'dopamine encoding genes' (DOD-1 and DOD-2) because they encode the proteins (i.e., direct how they will act). These proteins determine the specific way an individual's reward system will react to a reward, such as praise or public recognition. They do this by regulating how the specialized dopamine receptors in the brain work (or, in the case of someone suffering from depression, do not).

In a work context, certain rewards are much better than others. Taking staff out to a meal is a good reward, but hardly one you can do every day. And sex is definitely out. The best rewards are social acceptance rewards, also called 'relational rewards' because they signify a relationship. To a human, a relationship is about support and physical and emotional safety. A reward which signifies that is therefore the one that will produce the most dopamine and also another important component of the system,

the 'bonding and trust' neurochemical oxytocin (Gölen et al., 2013).

Relational rewards include, as I pointed out earlier, praise and public acknowledgment. They also include giving somebody increased authority or autonomy, both of which signify ongoing support. Even a warm, genuine, smile can produce a lasting relational reward (which is why we smile in response to a smile) (D'Acquisito et al., 2014).

Dopamine not only rewards, it makes the brain work faster, more creatively and aids memory function (Cools and D'Esposito, 2011). If an employee receives a sufficient amount of the right kind of reward, the dopamine system will almost guarantee that he or she will come to work looking forward to receiving that reward again. It is what makes hunters hunt, gatherers gather and is the primary driver behind Mihaly Csikszentmihalyi's idea of being "in the flow" (Csikszentmihalyi and LeFevre, 1989). In fact, we are genetically programmed to do that which gives us a dopamine reward (Schultz, 2007).

Relational Safety and Engagement

Clearly, relational safety and support are the secret ingredients to behavioral change and increased productivity. They are also the key to higher engagement and productivity.

Scientists tell us that something like 80% of our neurogenetic makeup is geared towards surrounding ourselves with this nexus of social support (Baumeister and Leary, 1995). We judge people on the basis of whether they are a real, or potential, member of our support network. Since creating or strengthening this nexus of support is one of our primary drivers, our behavior is very largely governed by it (Baumeister et al., 2007).

What this means in practice for business leaders is that motivating people for anything—buying your products or services, getting higher

output from your employees or a more proactive approach by your salespeople or partners—is essentially about strengthening their relationship with you. It is about their seeing you as an essential part of their support network.

Employees must feel that their leader, their manager or their supervisor is invested in their wellbeing and will protect them. If they do they will give their manager or their supervisor their 'vote' in the form of engagement and heightened productivity (high engagement has been shown to result in a very significant boost to productivity) (Sorenson, 2013).

Positive engagement in the Western world runs, on average, at about 18% (about 29% in the US, 14% in Western Europe compared with only 6-10% in Asia) (Crabtree, 2013). This is absurdly low. Unless a person has a variety of what are called 'splitting' personality disorders (anti-social, borderline, sociopathic, etc.), we are genetically wired to give 100% engagement to the group we belong to, whether it is the family or the workplace (Westover et al., 2010). Unfortunately, engagement scores compiled by the majority of enterprises, or external survey companies, greatly overestimate the level of positive engagement (Bakker et al., 2011). This leads, in our experience, to some complacency on the part of business. Even bad leaders are fooled by unreliable statistics to think they are doing the right thing. The low level of real engagement, and as a consequence the poor productivity level in most enterprises, in my opinion, has added impetus to corporate leaders' drive to replace people with machines.

Leading for Engagement and Productivity

Leadership style can be either a productivity enhancer or a productivity destroyer. Unfortunately, it is usually the latter. The aim of a person in any leadership position must be,

as I said earlier, to get the people they lead committed to the relationship with them. They, and the managers below them, are the ones who fulfill the role previously occupied by the council of elders in ancient times. The relationship between hunter-gatherer band members and elders was sustained for many thousands of years and in turn, must be part of our genome. A leadership style that most accurately reflects the style used by the council of elders is therefore the one most likely to achieve results as it fits with our genetic inheritance. Too much variation on that leadership style by business leaders today will cause workplace stress, disengagement and productivity loss.

Having lived with and studied hunter-gatherers for a year, there are three things that I can attest to regarding the elders' 'leadership style':

- They allowed everyone over the age of six to have a say in the process of decision making on any major matter (there were about 40 eligible people the small tribe I was with) and a consensus was ensured before coming to a conclusion.
- They took time to talk to other members of the band and showed, by their interest and curiosity, that they were concerned in their welfare.
- They used praise and public acknowledgment constantly.

Interestingly, many other researchers have come to the same conclusions about the way hunter-gatherer bands historically were and the remaining ones presently are organized (Turnbull, 1987). Though there is a wide diversity in many elements of their ways of life, customs and rituals, the relationship between band members and their elders seems to be a constant (Kelly, 2013). It is this universality which researchers rely on to conclude that a particular behavior is genetically based, even when they cannot point to any

particular gene or cluster of genes as being responsible for the behavior.

This kind of leadership is somewhat like the kind that is called 'transformational leadership'. Our own experience is that this style is by far the most effective leadership style to use if you want to motivate people to do their best. Research has shown that this style is 62% more effective in this regard than any of the other leadership modes (for example, transactional or laissez-faire leadership) (Bass and Riggio, 2005). A good transformational leader or manager works hard to get his or her people invested in the relationship with him or herself and therefore to do whatever the leader indicates is necessary to cement the relationship. Like the elders of old, the transformational leader will set high standards and be prepared to give relational rewards in return. If Petra had been such a leader (which she certainly was not) then Josh's failure to meet their agreed goals would be seen as a relationship statement.

A transformational leader is also able to get people to feel united, to feel part of a tribe. This feeling helps in building both engagement and productivity because people are genetically wired to work hard to support the tribe—just like their ancient hunter-gatherers ancestors did. The survival and prosperity of the group becomes their mission.

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Conclusion

The take-aways from all this are really quite simple:

- Humans are relationship-forming animals who are programmed to make decisions on the basis of what will deepen existing supportive relationships or create new ones.

We respond to leaders who show that they are genuinely interested in our welfare. We are motivated to buy goods largely on the basis of how the purchase will either create or deepen the relationship with the salesperson or which will foster or deepen a relationship with a third party. We are motivated to perform at a higher level because of our commitment to the relationship with our manager, or to strengthen the bonds with the other members of the group we work with and to ensure that group's survival.

- Rewards that are effective are those, like praise or public acknowledgment, which are relational rather than material. We are not motivated to any great extent by money, nor are we persuaded by facts or reasoning.

Businesses which bear these truths in mind are the ones which achieve the greatest success in all areas of productivity improvement.☺

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