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The motivational paradox of big bonuses

By SUSAN PINKER
From Friday's Globe and Mail

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Dear Susan,

As the hiring manager in a software and gaming company that's expanding, I'm supposed to attract new talent. But according to my directives, I can only offer a modest starting salary range, with performance-based bonuses. Nobody with any track record in the industry will go for this. They may fall for the bonuses - which are a nice chunk of change but hard to come by these days. Should I tell candidates up front what the odds are of getting a bonus? And how can I interest more experienced candidates with so little in my pocket?

- *Honest Abe*

Dear Honest,

Don't spill the beans about the bonuses unless you're asked. It's up to the candidate to ask the right questions. And anyone who doesn't show some curiosity deserves to be surprised. The advantage of this plan is that you can see how enterprising the recruit is - whether he or she has an inquiring mind.

The problem with this plan is that you may face high turnover. But if you're looking for creative, motivated candidates, you're probably barking up the wrong tree by obsessing about money, anyway. Your problem is less about transparency than it is about being able to attract the candidates you really want with the incentives that really work. And large bonuses may not do the trick.

Recent evidence suggests that big financial carrots motivate some of the people some of the time. But for most of us, they have the opposite effect: They damp down our performance.

How is that possible? After all, most of us think that, the more we get paid, the harder we'll work, and vice versa.

But a team of economists led by Dan Ariely at Duke University shows that the opposite is often true. Those who are intrinsically motivated, who work at creative or cognitively challenging jobs, and who want to do great work because it gives them great satisfaction, may discover that their performance suffers when financial rewards balloon - as they do with huge bonuses. It's called "choking under pressure," according to Roy Baumeister, a veteran social psychologist at the University of South Florida, who first saw it in athletes. When lots is riding on

your ability to perform, you suddenly pay close attention to what was automatic before, or simply fun for its own sake. This sudden scrutiny can foul up that fluid backhand - which seemed flawless before the big-purse tennis tournament started - or the ability to come up with earth-shattering new ideas. In other words, depending on the job, the big money may not motivate. And when it does, the person drawn by the big bucks may not be who you want.

Nina Mazar, an assistant professor at the University of Toronto's Rotman School of Management and one of the co-authors of the Ariely study, explains the problem with offering large stakes. "On mind-numbing tasks, incentives worked well. The more we paid, the more people worked. But when they worked on a task with high intrinsic motivation, people suddenly became too preoccupied with thinking about the reward itself," she said. And that killed their drive.

Ah. That might elucidate the insidious paradox of ventures that thrived despite pitiful, if not non-existent, initial monetary goodies - such as Wikipedia and the blogosphere - compared with the dismal performance records of financial executives offered huge bonuses to deliver results under pressure.

Keep in mind that these explanations are conjectures; economists know that big rewards don't work on higher-level problem solving, but they don't really know why.

"It's speculation," Dr. Mazar said, "but when I know there are very high stakes, then I pay close attention to everything I do." And that can be counterproductive, she said, because our reasons for persisting can suddenly change when the external rewards do. You start to calculate whether the time you are putting in is really worth the effort.

It's not that financial rewards don't work at all, but that on tough problems or creative tasks, they drive performance only up to a point. Then stress kicks in - and performance drops off - resulting in perverse effects. In my case, it's a blank screen when a piece of writing or a talk is suddenly "important." In your case, it may mean that a person most keen on the bonus may not produce the best software, or the most innovative game. Depending on the job, other things may be more important, such as flexible hours, autonomy, or the chance to work at and create something really interesting, or really new. And that's what's in your pocket.

*Susan Pinker is a psychologist and author of *The Sexual Paradox: Extreme Men, Gifted Women and the Real Gender Gap*. Her blog, *The Business Brain*, can be found at <http://susanpinkerbusinessbrain.blogspot.com>*

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