Building a Vocabulary of Change
Intrinsic reward
rewards (feelings of pride, satisfaction, and self-esteem) that accrue to the individual based on the performance of a task.

Intrinsic rewards—a sense of accomplishment, learning, and growth, for example—are provided in a constant and ongoing way as individuals interact with their environments. Intrinsic rewards, according to Edward Deci, motivate exploration, play, curiosity, and puzzle solving.[23] For that reason, intrinsic rewards can be more helpful in building commitment to new behaviors, especially when the desired new behaviors are based on creativity and problem-solving activities.

No organization can rely solely on either extrinsic or intrinsic rewards to support new patterns of behavior. The challenge is that the two approaches to shaping behavior do not easily coexist. Overreliance on extrinsic rewards, pay in particular, can actually dampen internal motivation.[24] Employees may, and often do, find themselves behaving in a certain way *because* of the money attached to the behavior rather than an internalized desire to undertake the behavior. And the more attractive the reward is to that employee, the more likely it is to drive out internal motivation.

Not all extrinsic rewards work against internal motivation and creativity. Praise, which is an extrinsic reward, can enhance motivation by helping individuals feel competent and self-determining. Even pay can be used in ways that do not drive out motivation: when pay is used to *attract* individuals to an organization, it does not have a negative impact on motivation.

Rewards such as bonuses that are *not* tied a priori to specific outcomes but are presented after the fact in recognition of particularly creative effort are likely to lead to higher creativity in the future. The creativity benefit of such after-the-fact bonuses is enhanced when those bonuses are coupled with constructive feedback and tied to creative outcomes rather than any particular or specific methodology for achieving those outcomes.[25] Even so, intrinsic rewards are the primary factors contributing to creativity; extrinsic rewards more typically encourage routine behavior.

Theory into Practice

Bonuses provided "after the fact"—without being announced or promised beforehand—can be used to reinforce desired new behaviors.

The opportunity as well as the challenge for a manager is to provide motivation that is, in essence, internal to employees. Design decisions that allow employees to participate in decision making enhance the developmental opportunities of work, thus providing a key intrinsic motivation. Providing employees with autonomy and performance feedback enhances employees' sense of self-efficacy and ego satisfaction. In these cases, the organization is creating an environment where employees are more likely to find intrinsic motivation in their work.

Pay equity is also vital to the achievement of intrinsic motivation. Only employees who believe that their pay level is fair and equitable—compared to peers both inside and outside the organization, to subordinates, and to superiors—will be intrinsically motivated by the desire to learn, to develop, and to grow.[26] Job evaluation plans endeavor to create a sense of internal equity, and regular salary surveys can help achieve external equity. Just as importantly, organizations that provide employees with regular and candid feedback about performance and contribution can help ensure congruence between pay levels and perceptions of fairness.

Building a Vocabulary of Change
Pay equity
a perception by employees that their pay is fair and equitable in relationship to others: peers inside the organization and out as well as subordinates and superiors in the hierarchy.

Theory into Practice

Organizations will not be able to call on intrinsic motivation unless employees feel that they are being paid equitably.

Sequencing the Introduction of Incentives

The temptation to introduce a new incentive plan early in change implementation is powerful but potentially harmful. Some brief examples of unintended consequences include:

- A community bank introduces a sales bonus designed to encourage more aggressive revenue generation on the part of employees. Customer service representatives now ignore the complaints of, and even occasionally hang up on customers once those customers have expressed a lack of interest in purchasing additional bank services or product offerings.
- After introducing a new executive bonus based on divisional performance, an organization finds its executives withdrawing shared resources from other divisions in order to maximize their own performance.
- A Silicon Valley–based software developer, which had relied heavily on stock options to attract employees, reels when its stock price drops sharply; high turnover deteriorates performance, which leads to even lower stock prices and leaves management with little to offer new employees by way of attraction.
- A plant manager halts a team-based incentive plan because of increasing rivalry among teams.
- A school system finds its "Teacher of the Year" bonus award designed to enhance performance instead leads to dissension and distrust among its formerly collegial faculty.

When applied early, new pay incentives can either fail to alter long-standing patterns of behavior or, even more troubling, change patterns of behavior in an unintended, even unwelcome way.

In the above examples, new incentives were put into place before a thorough diagnosis of the existent patterns of behavior in the organization; before a carefully, strategically guided, and participative effort was made to redesign roles, responsibilities, and relationships among employees; and before human resource development worked to imbue the organization with required new competencies. Management turned to incentives as a quick fix: an intervention that would immediately shape employee behavior. That is exactly what they did, of course, but not in a desired way.

Theory into Practice

Introducing new incentives early in a change implementation process risks negative consequences.

When it comes to integrating new incentives into change implementation, leaders face two types of choices: *what* and *when*.