



## You Say Intrinsic, We Say Extrinsic ... Should We Just Call the Whole Thing Off?

by Kevin Stephens | Vice President, Marketing | Excellence in Motivation

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This paper explores the validity of an assertion made by author Daniel Pink in his 2010 book *Drive: Extrinsic rewards alone are insufficient for lasting behavior change, and can even have negative effects on performance*. This assertion pops up from time to time in business books or works of popular psychology. Whether or not this is true under certain conditions, a review of serious literature on the subject reveals one thing to be certain: this statement is vastly oversimplified, and when made out of context, is seriously misleading.

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### Overview

Most of us have a commonsense approach to incentives (extrinsic rewards); we've noticed from an early age that people will take certain actions if they are offered a reward. We effortlessly, unconsciously deploy incentive strategies with our kids, our spouses and our associates, because we've seen them work again and again. Incentives are so ingrained in human behavior, the concept is embedded in countless folk sayings and proverbs, such as "You reap what you sow," "The early bird gets the worm" and "You scratch my back, I'll scratch yours." The effectiveness of incentives is obvious to people from all walks of life, from economists to car dealers to parents.

But as Daniel Pink points out in his book *Drive*, in many contexts, *intrinsic* motivation is of equal or even greater importance than extrinsic motivation in driving human behavior. In fact, in some contexts, extrinsic motivators can even have effects opposite of the "performance boost" that was intended.

### Are Intrinsic Rewards Enough?

Daniel Pink's book, with its counterintuitive conclusions, created quite a bit of buzz following its publication in 2010. Pink recharged a school of thought that, in its modern incarnation, originated in Alfred Kohn's 1993 book *Punished By Rewards*.

The basis of the argument put forth by Pink and his progenitors lies in the "discovery" that while people will perform tasks in exchange for tangible rewards (extrinsic motivation), they will also perform certain

### INSIDE THIS WHITE PAPER

- In the 2010 book *Drive*, author Daniel Pink argues that extrinsic rewards alone are insufficient for lasting behavior change, and can even have negative effects on performance
- Behavioral Psychologists Judy Cameron and W. David Pierce say Pink's argument is "based on serious overstatement and generalization of research findings" and harmful because it "denies people the means to achieve personal and social goals"
- Psychologists counter the "rewards are bad" claim by citing abundant research showing that rewards can, in fact, be used effectively
- Effective incentive planners know that, when properly incorporated in a comprehensive performance improvement program, tangible extrinsic rewards can elicit and enhance intrinsic motivation
- As important as the rewards is the methodology behind the goal-setting, the measurement and feedback of participants' progress toward those goals and a communications campaign that properly informs, engages and motivates the target audience

other tasks with no reward other than their own sense of accomplishment or enjoyment (intrinsic motivation). To paraphrase further, people will do some things for money or rewards, and other things simply because they want to. No surprise there. But there's more.

Pink further argues that extrinsic rewards can actually *undermine* intrinsic motivation and have a detrimental effect on performance. That was the impetus for the "buzz" created after certain pundits and cranks were quick to wave Pink's thesis around as proof that incentives were a waste of money. As a result, some people overreacted, suddenly worrying that Daniel Pink had come along and demonstrated that everything they ever believed was wrong.

However, a calmer and more thorough review of research on the subject shows that while Pink's (and more saliently, his predecessors') points appear to be valid in certain conditions, they have been misunderstood, distorted, over-generalized and incorrectly cited as a blanket refutation of the effectiveness of incentive programs.

Psychologist and author Stephen Ray Flora puts it this way: "Although false, the argument that extrinsic rewards "undermine intrinsic interest" is impressive to roll out at academic parties. But as with so many psychological "factoids," when you scratch beneath the surface, the argument is without merit."<sup>1</sup>

Pink discusses at length the "Sawyer Effect," referring to the tendency for a given activity to seem more like "work" if one is paid to do it (named after Tom Sawyer's famous ability to make a chore seem like an enviable leisure activity). Once you start getting paid for an activity, it is unlikely you will be willing to perform that activity for free in the future, even if you started out with no expectation of compensation. This is consistent with common sense. For example, a musician who becomes accustomed to being paid for gigs will probably be reluctant to go back to playing for free, unless it's for a charity or a benefit of some sort.

While interesting, the Sawyer Effect doesn't really have any relevance for the environment we in business are concerned with, where *people are already getting paid*. They are already exchanging their efforts for compensation, which, research has shown, is a crucial distinction in the entire debate about extrinsic rewards!

### **Intrinsic vs. Extrinsic Motivation**

Individuals are intrinsically motivated when they seek enjoyment, or knowledge, or self expression or personal challenge in an endeavor. They are extrinsically motivated when they undertake an action in pursuit of an external reward that is tied to the task. Obviously both types of motivation are at play in most productive work situations; the external reward of a paycheck is always present, and any good manager knows the power of intrinsically motivated employees. So, *in work situations where people by definition are exchanging effort for external reward*, the entire intrinsic-vs.-extrinsic debate is a little silly.

In a paper titled "No More Polarization, Please! Towards a More Nuanced Perspective on Motivation in Organizations," Mia Reinholdt, of the Copenhagen Business School, surveys and integrates the best serious research conducted to date in the field. Her main point, as the title alludes, is that the discussion of intrinsic and extrinsic motivation is neither an either/or proposition, nor a black-and-white argument. Along the way, she clearly reaffirms the point above: when people work at a job primarily to make money (foreground goal), they will perform even better if rewarded for extra effort.

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<sup>1</sup> [The Power of Reinforcement](#), Stephen Ray Flora

## Are Rewards Bad?

Put even more simply, the claim that rewards are detrimental to performance in business environments is erroneous, and woe to managers or organizations who buy into it. Behavioral Psychologists Judy Cameron and W. David Pierce, for example, point out the argument is “based on serious overstatement and generalization of research findings” (among other flaws), and harmful because it “denies people the means to achieve personal and social goals.” Most significantly, they counter the “rewards are bad” claim by citing abundant research showing that rewards can, in fact, be used effectively.<sup>2</sup>

The idea that “rewards are bad” started from a misinterpretation of literature from social psychology concerning intrinsic motivation. The argument goes like this: although rewards, reinforcement and praise can get people to perform an activity, the motivation to continue the activity will dissipate once the rewards stop coming.

As Cameron and Pierce point out, “although this sounds straightforward, the relationship between rewards and intrinsic motivation is riddled with problems. They go on to reveal and describe the problems with the studies’ “procedures, measures and overgeneralized conclusions.”

Pink’s book contains numerous examples of research findings that have little or nothing to do with corporate work environments, including references to experiments involving monkeys, preschool children and commissioned artists who feel more “restrained” when they are paid to create art versus doing it for free. A good portion of his supporting evidence comes from studies conducted by Edward Deci over 40 years ago – whose conclusions have been revisited and refined by many social psychologists and other academics since then. Scholars Alexis Kunz and Dieter Pfaff summarize:<sup>3</sup>

“The subsequent analysis (since Deci) reveals good and bad news...the bad news is that hidden costs of rewards do indeed exist. The good news is that the empirical evidence on undermining effects cannot be interpreted as being contradictory to agency (incentive) theory. In particular, the antecedents for *such effects not only seldom prevail in business corporations, they are also easily avoidable.*”

I bolded the last part of that quote to emphasize that this paper is intended for businesspeople, for whom, it turns out, the “bad news” about rewards *does not typically apply.*

Flora devotes large portions of his book, The Power of Reinforcement, to exploding “the myth that extrinsic rewards undermine intrinsic interest.” Flora dismantles Kohn’s criticism of the “carrot-and-stick” approach and cites a myriad of studies and examples of reinforcement theory being successfully applied to improving people’s productivity and well-being.

Even Pink himself concedes to the point, repeatedly, in his book. He acknowledges that “extrinsic rewards can be effective for algorithmic tasks” (tasks involving repeatable processes). He argues that extrinsic rewards are ineffective or perhaps even detrimental to “heuristic” tasks (creative endeavors that require novel approaches). And he is correct – if you want to motivate artists or inventors, be advised that extrinsic rewards are unlikely to result in even more stunningly original works of art, or even more ingenious breakthrough innovations.

(Thought experiment: Did Mr. Pink write his book – obviously a heuristic endeavor – with no thought at all of potential monetary reward? Was it entirely a “labor of love”?)

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<sup>2</sup> Rewards and Intrinsic Motivation: Resolving the Controversy, Judy Cameron and W. David Pierce

<sup>3</sup> “Agency Theory, Performance Evaluation, and the Hypothetical Construct of Intrinsic Motivation,” Alexis H. Kunz and Dieter Pfaff

A careful, thorough reading of his book reveals that Pink himself is not even primarily responsible for the “Daniel Pink says incentive programs don’t work” argument. His points and his warnings have apparently been misinterpreted or misapplied either mistakenly or willfully by others. “While a few advocates would have you believe in the basic evil of extrinsic incentives, that’s just not empirically true,” he says at one point. At another point, regarding situations where “the goal was to encourage people to do particular things in particular ways,” Pink writes that “few motivators are more effective than a nice bunch of carrots.” At yet another point he says, “When incentives are used with the proper deftness, performance improves and understanding deepens.” The emphasis in that last point is echoed by all full-service incentive companies worth their salt – the importance of “deftness,” of careful planning in program design.

Even Pink’s forefather and most-cited source, Edward Deci, never categorically dismissed extrinsic incentives: “Rewards are necessary in the workplace and other settings,” he said. Which takes us back to a fundamental point made earlier – if you are not approaching this paper from the perspective of a workplace setting, please disregard.

So...the battle lines in the extrinsic-vs.-extrinsic debate, it turns out, are not clearly drawn at all; in fact when it comes to organizations with paid employees, there is no argument, not even from Daniel Pink et al. Extrinsic rewards can be an effective means of improving workplace performance.

### **Motivation Best Practices**

The Institute for Service Innovation & Strategy (part of the ESSEC Business School), analyzed the best practices of successful organizations to compare and contrast the tactics and theoretical foundations of their approaches to motivating employees. All of the companies use a combination of intrinsic and extrinsic factors, the study found.<sup>4</sup>

So research confirms what common sense told us in the first place: people are best motivated in work situations by a combination of extrinsic *and* intrinsic factors. That perspective is not as exciting as choosing a side and launching verbal grenades at the opposing view, but it does have the advantage of being true. Managers who see the issue in an “either/or” context, who maximize one at the expense of the other, put their organizations at risk. Effective incentive planners know that, when properly incorporated in a comprehensive performance improvement program, tangible extrinsic rewards can elicit and enhance intrinsic motivation. Chances are that’s something you already knew at a gut level, and assumed to be true. You were right.

The true challenge lies in creating an environment where a combination of both types of motivation is present and optimized. When intrinsic motivation is high, tangible extrinsic rewards can boost overall motivation, as Deci himself observed.<sup>5</sup> It is true that a salary alone is insufficient to ensure employee motivation. Employees act according to their internal needs – that is also true – and when those efforts coincide with organizational goals, the organization benefits as well. The key, then, is aligning employees’ intrinsic drives with organizational goals. As stated in the ESSEC Business School’s publication “Valuing People to Create Value: An Innovative Approach to Leveraging Motivation at Work:”

“The important lesson for organizations is to understand exactly what people value as rewards, and aligning these rewards with employee and organizational goals or values.”

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<sup>4</sup> ESSEC Institute for Service Innovation & Strategy, Valuing people to create value: An innovative approach to leveraging motivation at work, pg. 140

<sup>5</sup> Deci, E.L., Koestner, R., & Ryan, R.M. (1999). A meta-analytic review of experiments examining the effects of extrinsic rewards on intrinsic motivation. *Psychological Bulletin*, 125, 627-668.

What IS true is that rewards alone are not sufficient for an incentive program to be successful. Beware any supplier of incentive services who neglects to emphasize the importance of measurement, communication and a proper rules structure. While the blanket statement that extrinsic rewards are bad is patently false, it IS true that a poorly designed incentive program can have unintended consequences and undesirable outcomes. That's not the rewards' fault. As important as the rewards, or more important, is the methodology behind the goal-setting, the measurement and feedback of participants' progress toward those goals and a communications campaign that properly informs, engages and motivates the target audience.

Why does the incentive debate so often focus on the award vehicle, when the truly critical variables that determine a program's effectiveness (e.g., alignment, measurement, communication, feedback, analysis) lie elsewhere? For a simple reason: there is a natural convergence between many incentive companies' profit motives (they make the most profit in awards) and many clients' expectations (faced with budget constraints, they understandably tend to want to put the maximum possible portion of their budget into the actual awards themselves). It's a marriage that satisfies everybody except the people for whom the program was intended: the participants. Because if participants don't know what they're supposed to do and why, or don't know how they're being measured or how they're progressing, or receive very little *emotional* impetus for them to internalize the programs goals – thereby converting extrinsic rewards into intrinsic motivation – then all the merchandise or “prizes” in the world won't do a thing to help organizations engage and influence their target audiences. Might as well try advertising by putting a billboard in your basement.

Bottom line: When behavior modification programs are properly designed and implemented, they combine the power of intrinsic and extrinsic motivation – and pay for themselves via incremental revenues, and/or cost savings, and/or increased productivity.

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