Not Just About the Money: 
Managing Beyond Extrinsic Rewards to Thrive in the Real Estate Industry

by

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Submitted to the Program in Real Estate Development in Conjunction with the Center for Real Estate in Partial Fulfillment of the Requirements for the Degree of

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ABSTRACT

Companies in the 21st century are increasingly relying on knowledge workers—people who put to work what they have learned from systematic education as opposed to manual skills—for value creation. Knowledge workers are the link to all of the company’s other investments, managing and processing them to achieve company objectives. But because people, rather than things, are the means of value creation, they are mobile and must exercise choice to join, stay, and work hard for a particular company above all others. A company’s survival in the knowledge-based economy is therefore contingent upon its comparative advantage to attract, retain, and make productive its people.

This thesis seeks to develop an understanding of the motivational systems and strategies available to companies for sustained value-creation, and the extent to which they can be applied to the real estate industry. To accomplish the latter, the thesis conducts a case study on a leading real estate development and investment company. Through interviewing senior managers and high-performing employees, the thesis explores the specific systems and strategies implemented, and their implications for motivating attraction, retention, and superior value creation.

After surveying the relevant literature and analyzing the theory in practice, the thesis concludes that extrinsic rewards and intrinsic motivation are complementary features of high-performing organizations. The case study further suggests that real estate companies need to thoroughly understand their working culture and business model in order to craft tailored motivational strategies that support their high performers and the way they work. Only then can companies move away from merely managing the work of its people to successfully managing for lasting performance.

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Title: Lecturer, Center for Real Estate
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Chapter 1: Introduction

Knowledge workers are the fastest growing labor force in developed countries.¹ Compared to manual workers who rely on their hands and muscle, knowledge workers put to work their learning from systematic education—that is concepts, ideas, and theories.² In 1999, they were estimated to comprise two-fifths of the US workforce.³ Now they account for more than two-thirds.⁴ Subsequently, they are the “basic capital resource,” and the “fundamental investment” of developed economies⁵—the organizations of which, employ them to provide “focus, creativity, and leverage” to all of the organization’s other investments for value creation.⁶ Nowhere is this more salient than in the real estate industry, where effective production derives from the information and know-how of professionals. From land acquisition, entitlement, and design, to construction, project stabilization, and property management; knowledge workers are the underlying drivers that run and connect the dynamic processes of real estate products.

Membership to the knowledge-based economy comes with its own set of challenges. An organization’s survival is increasingly dependent on its “comparative advantage” to attract, retain, and make productive the best knowledge workers.⁷ These objectives are well understood by many successful organizations, especially those in industries that experience relentless competition and incessant change.⁸ On the productive capacity of the knowledge worker, a former CEO of Microsoft observes: “The top software developers are more productive than average software developers, not by a factor of 10X or 100X or even 1000X, but by 10,000X.”⁹ Indeed, the potential of knowledge work to unleash extraordinary value creation for organizations is great. But how is this realized? What are the management strategies to motivate

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¹ See Drucker (1999), page 141.
² See Drucker (2007), page 43.
³ See Drucker (1999), page 141.
⁴ See Aral, Brynjolfsson, and Alstyne (2007), page 1.
⁵ See Drucker (2007), page 43.
⁶ See Covey (2005), page 14.
⁷ See Drucker (1999), page 159.
⁸ See Harris (2011).
⁹ See Covey (2005), page 14.
attraction, retention, and most importantly, superior value creation? Are they applied in a real estate context? And if so, do they work?

1.1 Significance of People

The knowledge-based economy is a very recent phenomenon. In the 20th century, the most significant contribution of management was the fifty-fold increase in the productivity of the manual worker.\textsuperscript{10} The primary drivers of this production-based economy were machines and capital. People were needed to operate things, but they did not own the means of production, and were therefore replaceable.\textsuperscript{11} In contrast, in the 21st century, the purpose of management is to increase the productivity of the knowledge worker.\textsuperscript{12} In this knowledge-based economy, the most valuable asset to a company is no longer its production equipment, but its people—People, who are the means of production, and are thus indispensable.\textsuperscript{13} Owning the means of production also makes people much more mobile than ever before.\textsuperscript{14} Unlike manual workers who often need the job much more than the job needs them, knowledge workers now must choose to work for a company over all other opportunities.\textsuperscript{15} It is a symbiotic relationship in which both the company and the worker need each other in equal measure.\textsuperscript{16} And since the value creation of a knowledge-based company is accomplished through its people, their motivation to join, to stay, and to work hard for their employers is fundamental to the company’s enduring success.

1.2 Thesis Focus and Layout

This thesis is focused on developing an understanding of the leading management strategies for sustained performance. First, the thesis synthesizes the literature on motivational systems and strategies: what they are, how they are implemented, and how they should be managed. Second,\textsuperscript{10, 11, 12, 13, 14, 15, 16}
to see their applicability in a real estate context, the thesis conducts a case study on a prominent real estate development and investment company. Through interviewing senior managers and high-performing employees, the thesis explores the extent to which the theory from the literature review is practiced by management, and their implications for motivating attraction, retention, and value creation.

The thesis is organized as follows: Chapter 2 covers the methodology of the case study, detailing the interview process, and the rationale for selecting the company and the particular interview subjects. Chapter 3 and 4 cover the literature review and data analysis, organized by the two types of motivation: extrinsic motivation (chapter 3), and intrinsic motivation (chapter 4). In each of these chapters, the thesis divides the investigation into three sections. Section 1 introduces the extrinsic or intrinsic rewards used. Section 2 describes their implementations. And section 3 discusses management issues, and how the implementations are working. The literature review precedes the data analysis in each section, comparing theory with practice. Chapter 4.4 then considers how the two motivations complement each other. And finally, chapter 5 summarizes the findings.

\[17\] It is typical of theses to review the literature in its entirety before proceeding with data analysis. This thesis strays from convention for the ease of examining theory and practice together across the three sections of each motivational type.
Chapter 2: Methodology

This thesis uses the case study research method to investigate how motivational strategies can be applied in a real estate context, and their implications for sustained value creation. Data is collected via face-to-face interviews with two senior managers, and two high-performing employees of a prominent real estate development and investment company. Interviews are conducted at the participants’ offices over a period of two weeks, beginning first with the senior managers. This is by design: Responses from management help inform the questions for high performers regarding their reception of the specific systems and strategies implemented. Each participant is interviewed once for 90 to 120 minutes. In total, up to seven hours of qualitative data have been recorded by hand.

There is no fixed question template for the participants. Instead, question outlines have been developed for management and for high performers to guide the conversations across the three sections of the inquiry, mentioned in chapter 1.2; namely, what rewards and strategies are used to motivate (section 1), how they are implemented (section 2), and how they are working (section 3). Questions for sections 1 and 2 are reserved for senior managers. Some examples include: How do you keep your employees motivated? And, how do you evaluate their performance? Questions for section 3 apply for senior managers (e.g. what has worked best and what are the challenges?), but are intended especially for high performers. Sample high-performer questions include: Does your compensation reflect your performance? And, why do you continue to stay with this company? Again, these are generic questions meant to start the conversations. Follow-

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18 An HR Senior Representative is also interviewed for 30 minutes; but her involvement in and understanding of the motivational systems and strategies—especially those applying to the leasing department—turned out to be limited. Consequently the contents of her interview are not included in this thesis.
19 The Regional Manager is interviewed first, followed by the SVP of Leasing, the Leasing Manager, and the VP of Leasing. See chapter 2.2 for why these participants were chosen.
20 The interview session with the SVP of Leasing is divided into two shorter sessions across two days to accommodate his schedule.
21 Due to the potentially sensitive nature of the interviews, note taking is chosen over audio recording to set participants at ease.
22 Some questions designed for high performers are also asked of the SVP of Leasing, who is both a senior manager as head of the leasing department, and one of the highest performing
up questions are formed during the interviews for more specificity on points of interests. Please refer to appendix A for a general outline of the interview questions asked.

Other supplementary data included in this thesis are gathered from the participating company’s website, PowerPoint presentations of a regional office’s annual All Associates Meeting (from 2009 to 2011), and in one instance, a YouTube clip. In respect for the company’s generous access to information, some of which are confidential, the name of the company and the names of the participants are not referenced herein. Accordingly, in order to protect their anonymity, these supplementary data sources are not identified by their proper citations.

2.1 Why This Company

The participating company, hereto referred to as “KD” for Knowledge Developments, is a leading North American real estate development and investment company. KD is home to over 700 employees, owns over 44 million square feet of real estate, and has assets valued over 14 billion dollars. Its success has been recognized by Fortune Magazine as one of its “Most Admired Companies” for multiple years in the past decade. Among the many attributes evaluated for this honor, two are of particular interest to this thesis: “employee talent/people management”, and the “quality of management.” KD has consistently scored high in both of these categories. KD is also well attuned to the significance of its people to its high performance. On its website, KD specifically attributes the skills of its talented people as a competitive advantage that allows the company to pursue complex projects in markets with high barriers to entry. The company is therefore proud to make “commitments” for its people and workplace—the results of which are exemplified by the long tenure of its employees. According to the website, over 35% of KD’s employees have stayed with the company for more than 10 years, and approximately 10% have stayed for more than 20 years.

employees as identified by the Regional Manager. Nevertheless, due to time constraints, his questions are primarily focused on the implementation and management of motivational strategies.

KD has five regional offices across North America. This case study is on one of these regional offices, located in a major city. Whether or not this regional office is representative of all the other offices is a concern beyond the scope and interest of this thesis. In fact, while the thesis uses “KD” to describe the entire organization at times, it is mostly used to denote the specific regional office under study. And what is striking about this office—why it merits scrutiny—is its enlightened leadership who unquestionably gets it. “We are in the Knowledge Age,” begins the Regional Manager in the interview. “It’s not about industrial technology, but about knowledge and human capital.” He continues: “Any industry can play the knowledge game if leadership is capable of leading in that direction. Most people believe this applies only to the technology and science sectors, but it actually applies to any industry.” He then goes on to comment that the real estate industry as a whole has “lagged behind” in playing this game, but that successful real estate companies will stray away from this “herd mentality.” “We are already doing more than our competitors,” he says, “but there is still much we can do.”

![Diagram of organizational structure]

**Figure 1: Location of Participants within the Organization**

### 2.2 Why These Participants

The rest of the participants are identified by the Regional Manager to be the office’s best performers, befitting this case study’s focus on motivating attraction, retention, and value.
creation from the best people. All three participants belong to the office’s highest performing department: leasing. Focusing in on the leasing department is important for another reason. How performance is measured differs from department to department; as a result, interviewing participants from the same department permits the tracking of motivational implementations by management to their receptions by high performers.

Figure 2: Title Hierarchy of Participants

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24 The thesis delegates the definition of high performance to the case study’s senior management. What is a high-performing employee will differ from company to company, and even within companies, from department to department. It is highly dependent on the context and its rules for achievement and success. For more on the qualities a high performer possesses at KD, see chapter 4.1.4, second paragraph.
Aside from the Regional Manager, the other senior manager interviewed is the Senior Vice President (SVP) of Leasing, who heads the department. The two high-performing employees interviewed are the Vice President (VP) of Leasing and the Leasing Manager, who together handle the department’s urban portfolio. Along with four other team members, the leasing department is responsible for approximately 14 million square feet of commercial real estate, and tends to outperform the market in velocity, achieving higher occupancy and rental rates. Their high performance is recognized not only internally at KD, but also externally in the market. Which is why, according to the SVP of Leasing, everyone is “poached [by other companies] for more money [after] 12 to 18 months of working here.” And yet, all three choose to work hard, and stay with the company. To find out why, the thesis begins by delving into the power of extrinsic motivation.

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25 Leasing Manager. Interview. 20 June 2012.
26 SVP of Leasing. Interview. 20 June 2012.
Chapter 3: Extrinsic Motivation

3.1 What Rewards

Extrinsic motivation is the desire to achieve some goal or reward external to the work itself. All companies, intentional or unintentional, harness this drive to motivate value-creating behaviors from their employees through the allocation of “things” they value. Such extrinsic rewards include things companies usually must allocate like promotions, the right to make decisions, working conditions, and money; as well as things companies often choose to allocate, such as awards, recognition, and other benefits. A company’s incentive system is the ways in which these rewards (and sometimes punishments) are distributed to motivate high-performance.

3.1.1 When to Incentivize

How a company organizes its people, and where decision rights are located will determine when incentive systems are most crucial. There are many ways to organize managers and workers. For example, a company may choose to group people according to their functional expertise (e.g. marketing, finance, customer relations), while another may group people according to product markets or geographical locations. In any case, the way people are organized informs the company’s decision-making hierarchy. When decision-making is centralized (i.e. concentrated near the top), systems of monitor and control are best employed to ensure decisions made are executed down the organization. However, when important decision-making is decentralized (i.e. occurs near the middle and or the bottom), then there is a greater need for well-developed incentive systems to ensure the managers and workers making the decisions are held accountable for the decisions they make.

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28 Ibid.
29 Ibid.
30 Ibid., pages 5-6.
31 Ibid.
3.1.2 Purpose of Incentive System

Among the many reasons why companies choose to decentralize decision-making is the location of specific knowledge. Managers and workers, grouped by their functional expertise, for example, often are closest to the customers and problems, and have specialized knowledge on how best to create value.\textsuperscript{32} To align this authority (decision-making) with accountability (extrinsic rewards and punishments), incentive systems must be able to measure performance—the extent to which goals and objectives of various working groups and or individuals are met.\textsuperscript{33} The primary purpose of an incentive system is therefore to link and align authority with

\textsuperscript{32} Ibid.
\textsuperscript{33} Ibid., page 7.
accountability to affect motivation: the motivation to join a specific company (attraction), to stay with the company (retention), and to create value for the company (high performance). \(^{34}\)

![Diagram of Incentive System](image)

**Figure 4: Role of Incentive System Diagram**

3.1.3 **Focus on Monetary Rewards**

As mentioned previously, extrinsic rewards encompass a wide variety of incentives, both tangible and intangible, purposeful people care about. Nevertheless, much of the design of incentive systems is focused on aligning monetary rewards such as salary, bonus, and stock with performance. \(^{35}\) The reasons are simple: One, money can be used to purchase other valuable resources; and two, money can be easily varied with performance. \(^{36}\) Notwithstanding, non-monetary rewards such as promotions and recognition play a role in affecting extrinsic motivation. They are just more situational and less flexible to implement.

![Table of Extrinsic Rewards](image)

**Figure 5: Examples of Extrinsic Rewards**

\(^{34}\) *Ibid.*, pages 22-23.


\(^{36}\) *Ibid.*
3.1.4 Decision-Making at KD

The need for a well-developed incentive system is not lost on KD. At their office-wide All Associates Meeting in 2011, the Regional Manager keenly noted organizations that centralize information in only a few players are “least likely to harvest information, least productive, and least likely to survive.”\(^{37}\) This is particularly salient in real estate development where the long-term value creation is often the synthesis of specialized knowledge from many disparate functions. Not to mention, real estate is an intensely local game, where knowledge of a specific permitting change can make or break an investment. At KD, offices are first grouped by their geographic locations. Each regional office is then divided into its four core operations: property management, development, construction, and leasing. In each department, further subdivision by specialization exists. Within leasing, for example, people are grouped by the three submarkets: urban, suburban west, and suburban north. Decision-making, therefore, occurs throughout the organization, where systems of monitor-and-control are simply inadequate.

3.1.5 Rewards Employees Want at KD

While the literature suggests monetary rewards are most widely used in incentive strategy, senior management at KD believes non-monetary rewards are what their employees want. To both the Regional Manager and SVP of Leasing, “compensation is not everything,” and certainly not the “main attraction” for employee extrinsic motivation. Instead, the focus is less on the prospect of big numbers from paychecks (salary, bonus, and stock) and more on the long-term stability and opportunity only a reputable company like KD can offer. The Regional Manager describes the two-fold value proposition of working at KD: One, though the monetary earning potential is limited, it is stable: “You’re with a stable company in an industry that is unstable; the game is high-risk but the job is not”. And two, the brand of KD affords a career opportunity beyond KD: “After five years, you can get a job anywhere.”

\(^{37}\) 2011 All Associates Meeting PowerPoint presentation.
Aside from other non-monetary rewards like promotion and recognition, KD spends considerable energy understanding the connection between working conditions or workplace design and high performance.\(^{38}\) In fact, KD has carved a niche market in office development and property management with the understanding that in the “Knowledge Worker Age”, real estate is an “investment in [a company’s] culture and innovation,”\(^{39}\) and that “great space and place influences behavior, which influences culture”.\(^{40}\) Citing a study done by the Corporate Leadership Council finding highly satisfied employees perform 20% better and are 87% more likely to stay with the organization, KD explicates their business operating ethos: Proper workplace design leads to employee satisfaction, which breeds high performance and retention.\(^{41}\) What is “proper” may vary, but for a “knowledge-based company”, where as much as “80% of the time” is spent on collaborative work, KD identifies the significance of having collaborative “we” spaces.\(^{42}\)

Despite much success in the application of this thinking in the workplaces they develop and manage, KD has yet to apply it at home. As the Regional Manager explains, the challenge is the “gravity of the real estate industry” which induces a “herd mentality”, dominated by “financial engineers”—as opposed to “independent leaders”—driving the decision-making. Plans to renovate workspaces at KD are in the works, however. The reasoning to do so for the Regional Manager is clear: “It is why Apple is so successful…. Got to think differently.”

3.1.6 Summary of Extrinsic Rewards at KD

For the most part, the extrinsic rewards KD emphasizes are difficult to vary with performance. That is not to say non-monetary extrinsic rewards like brand, financial and job security, career opportunity, and high-performing workspaces cannot instigate value creation, attraction and retention. But how these rewards track and influence individual performance over the long term remains unclear. In the next section, the implementation of extrinsic rewards is

\(^{38}\) Regional Manager. Interview. 14 June 2012.
\(^{39}\) 2011 All Associates Meeting PowerPoint presentation.
\(^{40}\) Regional Manager. Interview. 14 June 2012.
\(^{41}\) 2011 All Associates Meeting PowerPoint presentation.
\(^{42}\) Ibid.
explored to uncover how incentive systems align authority with accountability. In other words, the question is how to measure an individual’s value creation for extrinsic awards in order to motivate and sustain high-performance.
3.2 How to Implement

Linking extrinsic rewards to the performance (decisions and actions) of managers and workers requires measuring precisely the value creation (or destruction) of each individual to the company’s assets.\(^{43}\) But unraveling an individual’s contribution is far from an easy task. No matter the performance measurement, there are always tradeoffs a company needs to manage concerning issues of controllability, alignment, and interdependency.\(^{44}\) Yet though it is impossible to do so perfectly, measuring performance well is the key to any successful incentive system. As Jack Welch, former CEO of General Electric (GE), says on the topic of aligning rewards with measurements, “You have to get this one right.”\(^{45}\)

3.2.1 The Three Fundamental Objective Performance Measurement Problems

First of all, performance measures frequently grapple with the issue of controllability; specifically, whether the outcome under scrutiny is the result of controllables (e.g. effort, wise decisions) or from uncontrollables (e.g. luck, chance).\(^{46}\) For example, broad-based profit-sharing and stock-option performance measures often expose managers and workers to company-wide risks in profits and share prices that are beyond their individual controls. When there is a lot of “noise” between the effort and the performance measure, employees feel there is a “poor line of sight” to extrinsic rewards.\(^{47}\) Moreover, overloading uncontrollables onto managers and workers not only create weaker incentives, but also may be more costly as risk-averse employees typically demand higher pay when the compensation is risky.\(^{48}\) But while undesirable, eliminating noise altogether is virtually impossible, and potentially unfavorable. That is because

\(^{43}\) See Hall (2002), page 10.
\(^{44}\) Ibid., pages 12-19.
\(^{45}\) Ibid., page 2.
\(^{46}\) Ibid., page 15.
\(^{47}\) Ibid.
\(^{48}\) Ibid.
though not completely controllable, outcomes are generally “influenceable” when they are attached to accountabilities.  

Second, while narrow and targeted performance measures increase controllability, they are often imperfectly aligned with value creation, leading to distorted behaviors. For example, when one of GE’s division hosted a sales contest that rewarded sales but not margins, the effect was “a great fourth quarter revenue line” with “no income to go with it.” Indeed, as Jack Welsh observes, “What you measure is what you get.” The power of extrinsic rewards, and consequently the performance measure, is undeniable: They motivate—but they can easily motivate the wrong behavior.

Third, the interdependency problem describes the difficulty of extrapolating individual contributions when the outcome is the result of many. Narrow performance measures better target individual performance, but fail to capture value creation from interdependencies, discouraging cooperation. On the other hand, broad performance measures recognize interdependencies and encourage cooperation, but at the expense of loading uncontrollables onto individuals, and potentially fostering free riding.

Only by developing a deep understanding of the tradeoffs between broad and narrow performance measures concerning controllability, alignment, and interdependencies can companies better tailor the implementation of incentive systems for value creation.

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49 Ibid.
50 Ibid., pages 16-17.
51 See Welch (2001), page 387.
53 Ibid.
54 Ibid.
3.2.2 Subjective Performance Measurement

One effective tool to manage the tradeoffs of objective performance measures is to introduce subjective performance evaluations. Whereas objective measures track hard, quantifiable things like “making the numbers”, subjective measures consider the value creation from “soft”, harder-to-measure things like mentoring, cooperating, and even “contributing to an attractive work environment.”

There is great flexibility in subjective evaluations, allowing management to measure value creation without relying solely on, say, narrow performance metrics that can lead to distorted

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*Modified from Hall (2002), page 19.

Figure 6: Graphic Summary of Performance Measures

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55 “Contributing to an attractive work environment can help raise the productivity of others and help the organization attract and retain better workers,” Hall writes. Ibid., page 20.
behaviors. At the same time, however, to do subjective evaluations well, the company needs to commit substantial resources.\textsuperscript{56} Underscoring the many challenges is the fact that most people have an aversion to giving (and receiving) negative evaluations.\textsuperscript{57} It is also hard work. Evaluators must justify claims that some performers are differentially better or worse than others, and be accountable to those evaluations. Otherwise, without a rigorous evaluation process led by evaluators who are experienced and trustworthy, conflicts and politicized environments can arise.\textsuperscript{58}

Companies like GE employ a forced curve to ensure differentiation in subjective performance evaluations. Known as the “vitality curve”, GE managers are required to assign their people into one of three categories: “top 20”, “the vital 70” or the “bottom 10”.\textsuperscript{59} The results are then used for compensation, promotion, and to “weed out the worst performers.” “Making these judgments is not easy, and they are not always precise,” says Welch. “Yes, you’ll miss a few stars and a few late bloomers—but your chances of building an all-star team are improved dramatically. This is how great organizations are built.”\textsuperscript{60}

3.2.3 Differentiated Incentive System at KD

The compensation program at KD, comprised of a combination of salary, bonus, and stock, ranks people into 3 zones: optimum, market target, and developmental.\textsuperscript{61} High performers are grouped in the optimum zone, much like GE’s “top 20”. But whereas GE’s “bottom 10” represents the worst performers, KD’s developmental zone is typically reserved for internal promotions and new hires (but may also be used for underperformers).\textsuperscript{62} The difference is that KD does not use a forced curve. People are not differentially evaluated against each other for

\textsuperscript{56} Ibid.
\textsuperscript{57} Ibid.
\textsuperscript{58} Ibid.
\textsuperscript{59} See Welch (2001), page 387.
\textsuperscript{60} Ibid., pages 156-158.
\textsuperscript{61} Regional Manager. Interview. 20 June 2012.
\textsuperscript{62} Ibid.
compensation. Rather, if a large proportion of people are making “significant and sustained contributions”, then according to the Regional Manager, they all deserve to be in the optimum category—at least in theory. While appealing to a culture of meritocracy and collaboration over competition, KD’s incentive system lacks the systematic rigor to weed out underperformers. And though moves from optimum to market target are possible, the unease of effecting this verdict shows in the practice of maintaining compensation at a certain level to allow “inflation to catch up” so that two or three years later, compensation has effectively moved down a zone.

As the Regional Manager explains, the central challenge is that the organization as a whole does not have a “collective vision on what is a good performer.” This is expressed in the more or less same, “outdated” performance review sheet “used some twenty years ago”, and the deficiency of clearly defined performance measures (both objective and subjective) to measure value creation. In its place, much of performance measurement rests with department heads, who must weigh the performance of her team against the annual goals and metrics she determines for her department. Such an arrangement affords great adaptability from department to department, especially in the application of subjective measures. But for this system to work, designer-evaluators need to have an intimate understanding of the tradeoffs in performance measures, and be held accountable to their evaluations. The flexibility is great, but so is the burden.

3.2.4 Managing Performance Measures at KD

The burden is clearly felt by both the Regional Manager and the SVP of Leasing. In the past, leasing compensation centered on “big upside rewards” for deal making. But narrow performance measures such as X dollars per square foot leased does not align perfectly with

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63 Promotion is another matter. Ibid.
64 Previous corporate management has frowned upon awarding too many employees in the Optimum category, however. Ibid.
65 Ibid.
66 Ibid.
67 Ibid.
68 Ibid.
value creation. In fact, it can be value destroying. Like GE’s sales contest, rewarding deals but not margins can lead to lower rents and increased concessions. Here, reward employees like brokers, and they become brokers—Except KD wanted the leasing team to behave and “think like owners,” which means sometimes “passing on a deal,” in order to secure the long-term value of an asset.69 Take the example of an “80,000 square feet building with no great amenities.”70 When smaller tenants leave, inferior value can be realized in the short term by filling those vacancies. But an owner mentality would recognize that the asset is more valuable in the long term as a single-tenant building, which means forgoing the smaller deals.71 “I have never met a broker who does not recommend a deal,” the SVP of Leasing remarks, “but my team passes on deals all the time.”

To align value creation by thinking like an owner, broader-based performance metrics are introduced. Leasing bonuses are tied not only to the individual’s annual contribution to the department’s performance (such as leasing X square footage of space for Y net revenue), but also to the annual performance of the department; and to some extent, the annual performance of the regional office, and of the overall organization.72 The exact weights of each component are unclear, but suffice to say bonuses no longer revolve around an individual’s deal making. As the SVP of Leasing comments, “There is no double bonus for double the [individual] performance.” Meanwhile, restricted company stock73—another broad-based performance measure—becomes available to qualifying Leasing Managers and up.74 To be sure, the value creation from interdependencies is well covered. But too many uncontrollables—though partly influenceable—create noisy and subsequently, weaker incentives.

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69 SVP of Leasing. Interview. 18 June 2012.
70 Ibid.
71 According to the SVP of Leasing, a single-tenant building here would afford the tenant a greater capability of branding and customizing the interiors to reflect her company culture and innovation, and thus command higher rents in the long-term. Ibid.
72 Ibid., 20 June 2012.
73 Restricted stock has a 4-year vest, 2-year hold. VP of Leasing. Interview. 20 June 2012.
74 Regional Manager. Interview. 14 June 2012.
The risk of a poor line of sight between an individual’s effort and the extrinsic reward is exacerbated by fixing the upside potential of bonuses as a percentage of base salary.\textsuperscript{75} Thus, when a high performer has had an “incredible year”, there is “no significant hit (i.e. bonus) for [that] outstanding performance.”\textsuperscript{76} Nevertheless, for senior management, this compensation structure is commensurate to the risk. That is because while the bonus upside potential is capped, so too is the downside. In 2009, for example, senior management’s compensation took a large hit from the fall in stock price, while employees retained their bonuses.\textsuperscript{77} This financial stability is further supported by subjective performance evaluations that minimize uncontrollables from other objective metrics. There are always circumstances when the individual has not made the numbers, but has otherwise “done everything else right.”\textsuperscript{78} Such outcomes are very probable when employees are trained to pass on deals or when there is simply a shortage of leasable space following an incredible year. In such cases, subjective measurement intervenes to ensure a full bonus.\textsuperscript{79}

This goes back to the extrinsic rewards KD thinks their employees want: financial security. But for consistent high-performers, a low-powered—albeit dependable—inecentive system can be demotivating. The SVP of Leasing understands this all too well: “You are part of a winning team…. [You] see yourself winning…. [It’s] hard not to see yourself deserving more.” However, he adds, “You should be winning, and beating competitors.” That is the brand and culture of excellence that make KD great. What are operative instead are the interdependencies that created that value: “It is important to remind yourself that you are part of a team. You didn’t do it. You are part of a team that did it.”\textsuperscript{80}

\textsuperscript{75} VP of Leasing. Interview. 29 June 2012.
\textsuperscript{76} Regional Manager. Interview. 14 June 2012.
\textsuperscript{77} SVP of Leasing. Interview 20 June 2012.
\textsuperscript{78} Ibid.
\textsuperscript{79} Ibid.
\textsuperscript{80} Ibid.
3.2.5 Aligning Reward Expectations at KD

Living up to the KD brand is just one of the ways the line of sight between performance and pay is systematically undermined. This culture of holding people up to high-performance standards without the expectation of immediate rewards is apparent in the communication on compensation and promotion. Bonuses are for “overachievements.”81 Promotion is first and foremost a “privilege, not a right.”82 And action needs to precede recognition: “You must act as a manager before being promoted and compensated as a manager.”83 Even still, there is no guarantee of job growth because, “At some point there is hierarchy… and there is nowhere else to go.” But as the SVP of Leasing contends, “the beauty is you are told that.”84

Expectations about extrinsic rewards are first communicated at the start of employment, and then revisited at the middle and end of each year.85 During these sessions, individual career paths, time frames, and developmental “core competencies” required for the next level are discussed.86 The emphasis is on clarity—on year-end earning potentials, and how they can be achieved. According to the Regional Manager, this is of particular importance for younger generation employees because of their tendency to share their compensations with each other. Only by aligning expectations between management and employees can equitability be achieved.

3.2.6 Awarding Recognition at KD

Other non-monetary extrinsic rewards like recognition and awards are characteristically not communicated ahead of time. The intent here is not to motivate toward the rewards, but from the rewards. Or in the Regional Manager’s own words, to get “people fired about what they did.”

81 Regional Manager. Interview. 14 June 2012.
82 SVP of Leasing. Interview. 20 June 2012.
83 Ibid.
84 Ibid.
85 Ibid.
86 SVP of Leasing. Interview. 20 June 2012.
This is accomplished by “making a big deal” about team accomplishments at project groundbreakings and topping-off (of building construction) events.\(^{87}\) For individual contributions, the Regional Manager prefers private and personalized acknowledgements such as handwritten notes and cards, gift certificates for the entire family, and fun tokens of appreciation like custom Vermont teddy bears. Individual public recognition comes in the form of awards for, say, leading an internal training program, and framed pictures of people receiving those awards (often later displayed in their workspaces).\(^{88}\) One interesting ritual is the ringing of a bell in the hallway when a deal is done.\(^{89}\) The ringing “pulls people out of their offices”—including the Regional Manager—to ask about the deal details and to celebrate.\(^{90}\) “A lot of people think this is corny,” says the Regional Manager. “I don’t. It is a visible signal that we won today.”

\textit{3.2.6 Summary of Extrinsic Implementations at KD}

There is great flexibility in the implementation of KD’s incentive system. Broad-based objective measures and subjective evaluations are effectively applied to manage tradeoffs concerning alignment and interdependencies. But too many uncontrollables risk sheltering underperformers and disaffecting high performers. In response, KD leverages non-monetary extrinsic rewards like brand, financial security, and recognition to downplay and circumvent line of sight issues. How successful these systems and strategies are in motivating the \textit{right} behavior for sustained value creation has yet to be seen. In the next section, the emphasis on non-monetary extrinsic rewards is put into perspective to explore the potential pitfalls of extrinsic motivation, how they can be avoided, and the extent to which high performers at KD are extrinsically motivated.

\(^{87}\) Regional Manager. Interview. 14 June 2012.  
\(^{88}\) \textit{Ibid.}  
\(^{89}\) \textit{Ibid.}  
\(^{90}\) Leasing Manager. Interview. 20 June 2012.
3.3 How They Work

For an incentive system to be successful, it must be considered beyond the performance measurements for motivating individual performance. Rather, the entire system needs to support and align with a company’s value creation in the long term. To do so, the source of that value creation—a company’s enduring competitive advantage—must be clearly understood. “We build great people, who then build great products,” declares Welch. And the “rigor of our people system [vitality curve] is what brings this whole thing to life.”91 Hence, only managing the tradeoffs within the incentive system is not enough. To secure and sustain long-term value creation, companies need to manage not only beyond the performance measures, but also the very application of extrinsic motivation itself, in order to avoid several unintended consequences.

3.3.1 Case Example: The Anti-Star Incentive System at MFS

Like GE’s use of the vitality curve, Massachusetts Financial Services (MFS), an investment management company, configures its incentive system to support its long-term competitive advantage. Referred by its top management as the “anti-star” system, the business model at MFS centers on developing and training talent from within to foster a culture of mentorship and teamwork, which the company identifies as the source of its steadfast success.92 As the Chief Equity Officer elaborates, “Good portfolio managers are not born with the innate ability to outperform a benchmark; they are made based on mentoring, teamwork and experience.”93 This belief informs the way the incentive system is managed. In addition to devoting substantial company resources on subjective performance evaluation (to manage tradeoffs and measure value creation from soft things),94 MFS, most conspicuously, refuses to recruit for stars or pay “star compensation.” The thinking goes: If an employee is motivated to join (or stay) by big extrinsic rewards, it is only a matter of time before that same employee leaves for an even bigger

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91 See Welch (2001), page 157.
93 Ibid., page 5.
94 MFS employs 360-degree evaluations. About 60 written evaluations are completed for every portfolio manager. Ibid., page 7.
paycheck.\textsuperscript{95} It is also a matter of maintaining line of sight for existing employees. CEO Jeff Shames explains, “If you tell people on the research team that they’re the best and then hire someone from the outside to be a portfolio manager, you’re sending a mixed message.”\textsuperscript{96} Naturally, refusing to pay star salaries posed great challenges for MFS whenever high performers received larger offers from competitors. But “sometimes you just need to bite the bullet and say goodbye,” says Equity Head Kevin Parke, regarding the departure of two star managers. “We thought that our bench was equally talented—just less known. And we were willing to go with our bench.”\textsuperscript{97}

3.3.2 The Unintended Consequences of Extrinsic Motivation

MFS’ concern of employees seeking ever-bigger paychecks accentuates one of several unintended consequences of extrinsic motivation. Evidently well understood by MFS, contingent or expected extrinsic rewards can be addictive. In particular, through a series of econometric modeling, economist Anton Suvorov notes that once a contingent—do this and receive that—award is offered for a task, the recipient is primed to expect it whenever a similar task is faced.\textsuperscript{98} That is because the very act of offering an extrinsic reward signals to the recipient that the task is undesirable—Otherwise, no reward would be necessary for the task’s completion.\textsuperscript{99} But offer a reward the first time, and the provider is “doomed” to use rewards “over and over again.” Until before long, the reward feels “less like a bonus and more like the status quo”—which then necessitates the offering of larger rewards for the same effect.\textsuperscript{100}

Expected rewards can distort behaviors (from narrow performance measures), but they can also hinder value creation by effecting “functional fixedness”—a condition where only the most obvious “function” or solution is perceived.\textsuperscript{101} In an experiment testing groups on how fast they

\textsuperscript{95} Ibid., page 5.
\textsuperscript{96} Ibid.
\textsuperscript{97} Ibid., page 12.
\textsuperscript{98} For more on the “principal-agent theory,” see Pink (2009), pages 52-53.
\textsuperscript{99} Ibid.
\textsuperscript{100} Ibid.
\textsuperscript{101} Ibid., pages 41-42.
can complete a conceptual challenge, psychologist Sam Glucksberg found that the group incentivized with monetary rewards took on average 3.5 minutes longer for a task non-incentivized groups completed in 5 to 10 minutes.\textsuperscript{102} Essentially, rewards narrow focus. For straightforward tasks with clear paths to solutions, the expectation of an immediate reward motivates better short-term performance. But for “right-brain undertakings,” demanding flexible, conceptual and or creative problem solving, contingent rewards can impede performance.\textsuperscript{103}

Most alarmingly, expected rewards can turn play into work. In a classic study conducted by Mark Lepper, David Greene, and Robert Nisbett, preschoolers who liked to draw during their “free time” were divided into three groups—expected-award, unexpected-award, and no-award—and asked to draw.\textsuperscript{104} Two weeks later, the researchers observed the children during their free time. The unexpected-award and no-award children drew just as much as before. The expected-award group, however, displayed significant disinterest in the activity and drew considerably less. Much like how contingent rewards implicitly signal the task to be undesirable, offering contingent rewards here redefined or “crowded-out” the preschoolers’ original motivations for drawing.\textsuperscript{105} Known as the “Sawyer Effect,” recreation has become work,\textsuperscript{106} beginning—perhaps—a vicious cycle of “ever larger and more frequent doses” of extrinsic rewards to sustain the performance.\textsuperscript{107}

3.3.3 Managing Extrinsic Motivation

Central to the allure of extrinsic rewards is the belief that people are “robotic wealth-maximizers,” driven primarily by “rational calculations of their own self-interest.”\textsuperscript{108} As author

\begin{itemize}
  \item \textsuperscript{102} \textit{Ibid.}
  \item \textsuperscript{103} \textit{Ibid.}, page 44.
  \item \textsuperscript{104} “Good Player” certificates were used as rewards. \textit{Ibid.}, pages 35-36.
  \item \textsuperscript{105} Crowding-out occurs especially when individuals perceive the “external interventions” to be “controlling.” See Frey (1997), page 18.
  \item \textsuperscript{106} Sawyer Effect can also be used to describe the opposite effect: when work is turned into play. See Pink (2009), page 35.
  \item \textsuperscript{107} \textit{Ibid.}, page 52.
  \item \textsuperscript{108} \textit{Ibid.}, page 26.
\end{itemize}
Daniel Pink writes, “The most important aspect of any compensation package is fairness.” If the outcome is not internally consistent (commensurate to similar performance within companies), and externally competitive (in line with others doing similar work in similar organizations), the focus will be on the inequality of the circumstance, which can be extremely demotivating. But mounting empirical evidence suggests that while the fairness of outcomes are important, so too—if not more—are the processes that produced those outcomes. In an experiment replicated around the world, subjects are given ten dollars, and asked to share some, all or none with another subject. If the offered subject accepts, both get to keep the money; if she rejects, neither receives anything. The result? Offers of two dollars and below were routinely rejected, even though rational, self-interested calculation would indicate two is still better than zero. The notion of “fair process” is therefore a potent ingredient for motivating cooperation. With it, studies show people will accept outcomes “not wholly in their favor.” Without it, even when outcomes are favorable, they may be difficult to achieve. Companies routinely dwell solely on the allocation of “fair outcomes”—whether people are given the resources, authority, and rewards they deserve. But the power of fair process proposes instead that companies ensure cooperation and motivation by involving employees in decision-making, clarifying the thinking behind decisions, and clearly stating the “rules of the game” (for success and failure).

Consequently, performance measures should be clearly defined. They should also be “wide-ranging, relevant, and hard to game.” As discussed in chapter 3.2.1, tradeoffs vis-à-vis controllability, alignment, and interdependency are present in each performance measure. But when the metrics are comprehensive, they are less likely to narrow focus to motivate the wrong behavior. Imagine, for example, fixing the compensation of a product manager to: “[her] sales for the next quarter; [her] sales in the current year; the company’s revenue and profit in the next

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109 Ibid., page 179.  
110 Ibid., page 25.  
111 Ibid., page 25.  
112 Ibid., page 11.  
113 Ibid., page 11.  
114 Ibid., page 10.  
115 Ibid., page 6.  
116 See Pink (2009), page 181.
two years; levels of satisfaction among [her] customers; ideas for new products; and evaluations [from her] coworkers."\textsuperscript{117} Varied but pertinent performance metrics motivate the right performance.

To bypass the issues of equitability (fair process and outcomes) and the dangers of contingent rewards (addiction, distortion, functional fixatedness, Sawyer Effect…) altogether, companies can consider offering salaries a little more than what supply and demand would dictate. Nobel Prize winning economist George Akerlof and his wife Janet Yellen, also an economist, found above-market pay resulted in better talent, reduced turnover, and enhanced productivity and morale.\textsuperscript{118} Similarly, other economists have reached the conclusion that a higher base pay does more for company performance and commitment than an attractive bonus program.\textsuperscript{119} That is, paying more can cost a company less.

Lastly, it is critical to note that extrinsic rewards need not be contingent “if-then” rewards (that can trigger the many side effects of extrinsic motivation). In the drawing study with preschoolers, for example, those placed in the unexpected-award group exhibited no signs of the Sawyer Effect two weeks later.\textsuperscript{120} Psychologist Edward Deci explains why: “If tangible rewards are given unexpectedly to people after they have finished a task, the rewards are less likely to be experienced as the reason for doing the task [in the first place]….\textsuperscript{121} Thus, companies should move away from the default of utilizing expected “if-then” rewards, and consider applying more unexpected “now that” rewards (i.e. now that you have accomplished this…) to motivate and sustain value creation.

\textbf{3.3.4 The Anti-Star System at KD}

“We want KD in the media, not you in the media.” This remark by the Regional Manager underlines the salience of team to the work at the company. It is the same sentiment the SVP of

\textsuperscript{117} Ibid.
\textsuperscript{118} Ibid., page 180.
\textsuperscript{119} Ibid.
\textsuperscript{120} Ibid., page 36.
\textsuperscript{121} Ibid., pages 64-65.
Leasing expresses on the topic of high performers, who think they deserve more: “It is important to remind yourself that you are part of a team…that did it.”

Like MFS, KD has a preference for training and developing its own talent as opposed to recruiting and paying for stars. Referred by the Regional Manager as “growing potatoes,” high potentials are regularly recruited straight out of college, and start their KD careers as interns; former real estate experience is not necessary. As a matter of fact, having industry experience may make the candidate less desirable (for the concern of “picking up someone’s bad habits from elsewhere”). Instead, talent is groomed from the ground up. And three to five years—or about 10,000 working hours—later, they are ripe for high performance. Once stars are created, however, they risk being poached by companies willing to pay star salaries. It is the same story faced by MFS. But just as MFS refuses to enter the bidding war, so too does KD watch some of its stars leave (around 25%), typically in year five. “At the end of the year, you’ve got to make a decision,” says the SVP of Leasing. “If you don’t like the job, go get another job.”

In the case of MFS, top management was willing to stress test its anti-star system (by letting stars go) because it was well supported by a rigorous incentive system that consistently supplied a fresh batch of high performers. To motivate and align value creation, MFS committed extensive resources to measure and reward “soft” skills like mentorship and cooperation. While KD also manages performance measures to capture the value creation from interdependencies, the overall system is less defined and disciplined. There are no specific subjective measures to encourage mentoring or training, for example. There is also no official succession planning, and no formal way of holding evaluators accountable to their reviews. Rather, as mentioned previously, department heads are given great flexibility in the application of performance measures. But the lack of an organized structure can harbor underperformers (as discussed

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122 According to the Regional Manager, homegrown talent “moves faster, and is more effective.”
123 Regional Manager. Interview. 14 June 2012.
124 Ibid. This is also a reason why the Regional Manager in chapter 3.1.5 makes the claim that after five years, a KD employee can get a job anywhere else.
125 Ibid.
126 For the SVP of Leasing, it is about making the choice to stay, over and over again. “Members having opportunities to leave each year is a good thing,” he says. You “can’t stay if you can’t leave.” Incidentally, turnover in positions also creates opportunities for existing employees.
before),\textsuperscript{127} and can also raise fairness issues (of outcomes, and especially, of process), deterring both the creation and retention of high performance. So the question remains: When stars leave, can KD afford to go back to its bench?

3.3.5 \textit{Weak Line of Sight to Rewards at KD}

Without a precise incentive structure, explicating the rules of the game is inevitably ineffective, despite well-intentioned efforts.\textsuperscript{128} Certainly, goal posts and core competencies required for the next position are communicated. The Leasing Manager, for example, talks about having a “good sense of progression” and the confidence in his eligibility for the next move. But according to him, “There isn’t a lot of transparency in what is required to get promoted.” There are no clear steps, other than to “work hard, be a leader, act with integrity, and reach goals.” To KD’s credit, this is in line with its strategy of emphasizing the company’s culture of excellence (divorced from immediate rewards), and the fact that promotion is ultimately, a privilege. Nevertheless, fair process suggests to ensure the cooperation of employees (particularly when outcomes are not wholly favorable) there needs to be better clarity on not only the expectations, but also the conditions and mechanics. For instance, while it is clear to the VP of Leasing that there is “no obvious next step”\textsuperscript{129} (recall: “at some point there is hierarchy…”), it is unclear to him whether his career growth is contingent upon the company’s expansion or whether a promotion to SVP is possible without replacing the existing department head.

A similar uncertainty exists in compensation. The bonus is “discretionary” and a reflection of “how management thinks you’re doing at your position.”\textsuperscript{130} But asked about the exact criteria and how it is calculated, both the manager and VP are clueless.\textsuperscript{131} The VP illustrates the obscurity: In 2010, he received a bonus that was 50\% of his base salary; in 2011, his base salary

\begin{itemize}
\item\textsuperscript{127} This is also a concern shared by the Regional Manager.
\item\textsuperscript{128} See chapter 3.2.5, second paragraph.
\item\textsuperscript{129} There are two other (more senior) VPs, and the next level up is the SVP, who is also the head of leasing.
\item\textsuperscript{130} Leasing Manager. Interview. 20 June 2012.
\item\textsuperscript{131} Curiously, the Leasing Manager (and perhaps the VP as well) is also not aware that compensation is differentiated into three zones.
\end{itemize}
increased, but his bonus decreased both in percentage and real terms—“Did I have a bad year? Did I do something wrong? ‘No’… Full bonus.” The frustration stemming from a lack of concrete information is palpable. When fair process is suspect, even when outcomes are favorable, they are unsatisfactory. “From my perspective,” sums up the VP, “I am completely blind [to the process].”

There is little confidence in the process, and—perhaps, precisely because of this—there is also distrust in the outcomes. For the high performers, compensation does not reflect individual performance. “We are essentially operating in the ‘sales function’ of the [real estate] business,” says the Leasing Manager, “but there is ‘no big hit’ for reaching [individual] leasing goals.” Sure, the result is “stable in a bad year,” but it is also “limited.”

Neither does compensation reflect individual responsibility. The Leasing Manager mentions the immense responsibility that comes with securing the cash flows (and thus the value) of buildings valued at over 300 million dollars. Meanwhile, the VP of Leasing points to the dramatic 15% increase in volume to his submarket in the last 18 months without receiving additional staff support. This suspicion of unfair outcomes is compounded by the fact that neither is aware how his compensation compares with others in the company. Comparisons outside the company are equally problematic. There are very few organizations with leasing departments of the same caliber, and the commission-based brokerage firms make weak juxtapositions. Therefore, it is not surprising that both high performers find their compensation to be uncompetitive. The VP offers two speculations as to why. First, KD’s access to labor assures “there will always be someone willing to do it for less.” “But the difference between good and bad leasing agents,” he continues, “is millions of revenue.” And second, some corporate executives still hold on to the belief that “It’s the building that gets the rent.” However, that too is a misguided notion. “We affect that [rent, value],” states the VP, “and we should get a bonus based on that.”

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132 Leasing Manager. Interview. 20 June 2012.
133 In fact, the department lost its Leasing Coordinator during this time. Ibid.
134 Evidently, the sharing of compensation is less practiced than suspected by the Regional Manager.
135 VP of Leasing. Interview. 29 June 2012.
3.3.6 Changes High Performers Want at KD

The KD high performers have poor line of sight to extrinsic rewards, not because they are overloaded with uncontrollables from broad performance measures, but because they are oblivious to any of the specific measures—narrow or broad—that are used. Subsequently, the request for “clear metrics” and greater “transparency” is entirely understandable, to say the least. In particular, concerning compensation, the VP of Leasing would like to see a larger performance-based component. As he too apprehends, applying the right performance measure is not easy. “There are so many factors in a deal,” he says, that it is difficult to “single out one metric.” The most common way is to measure by the quantity of space leased. But that motivates “velocity regardless of profitability.” On the other hand, a profitability measure can be applied. But there is market “cyclical,” and a “down market is precisely when the company needs your skills.” Instead, for the VP, a potential solution is to reward for “premium-to-market” value creation. In this scenario, there would be no bonus for getting market rents: “If you are getting market, you are just doing your job.” “But if you are getting better, then you should be compensated and recognized [for that] because you are delivering real value to the company through your skill sets.”

There is promise to this proposal, but as with all performance measures when isolated, it is not perfectly aligned with value creation in every circumstance. For one, the incentive here benefits holdouts and excessive risk-taking for higher rents. There are also cases when below-market rents are reasonable in order to secure anchor tenants or rent streams that are low-risk and long term. For another, it is ambiguous when the premium-to-market calculation should be determined. Contract date? Term start? Every year? And what if there is early termination? Each situation has different implications for the actual value created, and hence the individual’s

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136 Leasing Manager. Interview. 20 June 2012.
137 Senior management discusses this same misalignment with value creation (the broker mentality) in chapter 3.2.4.
138 VP of Leasing. Interview. 29 June 2012.
139 Regional Manager. Phone conversation. 29 June 2012.
The better way to approach performance measurement is still to make the metrics relevant and comprehensive (in which this measure can be included), as discussed in chapter 3.3.3.

High performers are not just fixated on monetary rewards. They would also like to see improvements to non-monetary rewards like title progression. For the Leasing Manager, his title—as with his compensation—does not adequately reflect his responsibilities. The issue is less about receiving proper recognition internally, and more about branding himself externally. Compared to his social peers, it is increasingly “rare for someone to stay with the same company for five years.” And while pay and responsibility have undoubtedly increased since then, his title has remained stagnant for the most part. As a result, his career growth is not readily apparent: “To the outside world, you are in the same place.”

3.3.7 Avoiding Unintended Consequences at KD

Ironically, having a weak line of sight to rewards allowed KD to avoid much of the unintended consequences associated with extrinsic motivation. Neither the Regional Manager nor the SVP of Leasing has noticed the incentive system yielding any inadvertent behaviors. One reason is obvious: When the if of if-then rewards is obscure, extrinsic rewards no longer produce the dangerous side effects discussed in chapter 3.3.2. Alignment to value creation is therefore accomplished in other ways. First, KD excels in training. “Thinking like an owner is taught from day one,” tells the Leasing Manager. “A common question we ask among ourselves is, ‘If you and I are brothers, and we own this building, what would we do?’” Second, and perhaps more importantly, value creation is routinely supported by unexpected, now that rewards.

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140 What is premium-to-market at contract date can just as easily be below-market years later, especially when the lease term is long.
141 Contingent rewards stripped of their contingency specifics also make weaker incentives, engendering dissatisfaction from perceived unfairness in the process and in the outcomes.
Unexpected rewards come from a variety of sources. Working peers, and especially the Regional Manager and the SVP of Leasing, are quick to recognize the contribution of others.\(^\text{142}\) The VP of Leasing recalls receiving several heartfelt handwritten notes from upper management over the years, including a memorable celebration at a cigar bar when he was promoted to VP. Likewise, the Leasing Manager remembers a thoughtful email he received while on a trip with friends, saying, “Spend XYZ on the company—you deserve it,” after he had closed a particularly large deal. “Makes you want to work hard for them,” he concludes. To be sure, the impact from unexpected rewards, however small, can be great.\(^\text{143}\) No one is more perceptive to this fact than the Regional Manager, who recounts how unexpectedly receiving Disney World tickets for his family from a previous employer bought his dedication to the company for many years.

3.3.8 Other Challenges To Extrinsic Motivation at KD

Aside from the problems already discussed regarding incentive system design, there are several other challenges KD faces in the implementation of extrinsic motivations for high performance. To start, time is a luxury the leasing department does not have. Consequently, less urgent protocols like mid-year performance reviews, and the hallway bell ritual fall to the wayside. Not a big loss according to the high performers: Mid-year reviews are “not necessary,” comments the Leasing Manager; while the VP of Leasing never fully came onboard to the bell ritual anyway: “I don’t like to call attention to myself.” Meanwhile, limited resources prevent the Regional Manager from awarding more expected and unexpected rewards to his high performers and their families. Most critically, there seems to be a lack of consensus on the sustaining source of the company’s competitive advantage. That would explain the outdated workspace, the attitude of ‘It’s the building that secures the rent,’ shared by certain corporate executives, and why there is “no collective vision on what is a good performer.”\(^\text{144}\) Perhaps this is also what the VP of Leasing is referring to when he comments on the “fragmented” working culture at KD:

\(^{142}\) VP of Leasing. Interview. 29 June 2012.
\(^{143}\) Recognition can be a double-edged sword when unsupported by a transparent and robust culture of meritocracy. The VP of Leasing mentions how his promotion affected his standing with those who believe that seniority should matter more. “It’s not felt directly, but it is there,” the VP says.
\(^{144}\) See chapter 3.2.3, second paragraph.
“While we have tremendous real estate and investment expertise and leadership, we are weak on corporate human resources and culture leadership across the company.”\textsuperscript{145}

3.3.9 Extrinsically Motivated to Join and to Stay at KD

Nonetheless, high potentials and high performers continue to choose to join and stay at KD. “It’s the ‘Patriot Effect’,” explains the Regional Manager.\textsuperscript{146} Everybody wants to be associated with success, and “play on a winning team, who always has a shot at the Super Bowl.” “It’s the same reason why the Patriots can get away from paying as much as the other teams.” In other words, the non-monetary extrinsic reward of the KD brand trumps all else.

Indeed, evidence confirms the theory. Both the SVP and VP of Leasing took pay cuts to join the KD family. And all three—including the Leasing Manager—talk about their initial impression of KD as “best in class” that is “very well-run,” and their drive to learn from “the best.” Brand is what attracted, but is also what retains. The Leasing Manager again describes KD as being “best in class” for its reputation and resources; while the VP of Leasing articulates how the reputation of the company is what continues to afford him a meeting with anyone, getting him a “foot in the door” to build his own brand.

Finally, though financial stability is not necessarily desirable to the high performers (when it means the upside of individual performance is capped), job security in the long term is very much desired.\textsuperscript{147} Each person has at one time or another turned down a higher competing offer—

\textsuperscript{145} According to the VP, many subcultures exist within the organization. The corporate division culture is distinct from the regional office culture. And then there is the working culture particular to the leasing department. For more on the leasing department culture, see chapter 4.3.3.
\textsuperscript{146} Patriot here refers to the New England Patriots, an American football team, who has had the most appearances in a Super Bowl in the last 25 years.
\textsuperscript{147} Only senior management talked about fair compensation as a reason for joining and staying. For the SVP of Leasing, compensation is commensurate to the risk: “I work for a real estate company. I’m a company person, not a real estate developer.” See also chapter 3.2.4, third paragraph.
even when double the KD compensation—because the opportunity and or the company was perceived to be less stable in the long term.

3.3.10 Summary of Extrinsic Motivation at KD

Extrinsic motivation cannot be the only secret to motivating high performance at KD. As shown in this chapter, high performers are high performing in spite of the unstructured incentive system, which often frustrated more than it motivated—thanks in large part to a fragmented working culture still coming to grips with a collective vision for KD’s enduring value-creation. In the next chapter, intrinsic motivation is introduced to discover why many scholars believe it to be a powerful and more reliable tool for motivating and sustaining high-performance.
Chapter 4: Intrinsic Motivation

4.1 What Rewards

Intrinsic motivation is the desire to achieve some goal or reward inherent to the work itself.¹⁴⁸ In extrinsic motivation, the environment external to the work distributes rewards and punishments for particular behaviors. It is the carrots-and-sticks way of improving performance: reward the good (so you will get more), and punish the bad (so you will get less).¹⁴⁹ But while effective in certain circumstances, extrinsic motivation is increasingly incompatible with the work of the knowledge-based economy. In contrast, intrinsic motivation operates on the notion that performance of the work itself provides internal rewards. By tapping into the three elements—autonomy, mastery, and purpose—companies can better unleash the talent from their intrinsically motivated employees for superior performance today and tomorrow.¹⁵⁰

4.1.1 Outdated Assumptions About Workers and Work

Extrinsic motivation presumes people to be rational and self-interested.¹⁵¹ More saliently, it is built on the notorious assumption that fundamentally, work is boring and people are lazy.¹⁵² Left to their own devices—the thinking goes—people will shirk off responsibility and accountability.¹⁵³ Which is why most employees need to be prodded with rewards, and “coerced,

¹⁴⁸ See Pink (2009), page 3.
¹⁴⁹ Rewards (carrots) and punishments (sticks) seem to suggest they are opposites of each other; but author Alfie Kohn argues they are “two sides of the same coin,” because they stem from the same underlying theory of learning. Saying “Do this and you’ll get that” is really not much different than saying “Do this or here’s what will happen to you” or do this and you won’t get that. Studies have also shown that people that use carrots frequently, are also quick to use sticks—that is, they often go hand-in-hand. See Kohn (1993), page 50-54.
¹⁵⁰ See Pink (2009).
¹⁵¹ See chapter 3.3.3, first paragraph.
¹⁵² See Pink (2009), page 29.
¹⁵³ The thinking is also a self-fulfilling prophecy. Coined the “set-up-to-fail syndrome” Jean-Francois Manzoni and Jean-Louis Barsoux, both professors at INSEAD, describe the dynamic of how employees, perceived to be mediocre, live down to the low expectations of their managers. See Manzoni and Barsoux (1999).
controlled, directed, and threatened with punishment” in order to elicit adequate efforts toward the achievement of company objectives.\textsuperscript{154} As American engineer Frederick Winslow Taylor writes in the 1900s: “Work, consists mainly of simple, not particularly interesting tasks. The only way to get people to do them is to incentivize them properly and monitor them carefully.”\textsuperscript{155}

In the 21\textsuperscript{st} century, however, work is becoming more complex. Behavioral scientists distinguishes between the predominately “algorithmic” work—tasks involving an established set of instructions to one solution—of Taylor’s time, and the increasingly “heuristic” work—tasks requiring experimentation and novel problem solving (because no algorithm exists)—of the knowledge age.\textsuperscript{156} As a matter of fact, consulting firm McKinsey & Co. attributes 70\% of the US job growth in 2005 to heuristic work.\textsuperscript{157} And because work nowadays is less routine and more complex, it is also more interesting and enjoyable.

Consequently, extrinsic motivation makes less sense when applied to heuristic work. More notably, external inducements can impair rather than aid performance. Like Sam Glucksberg’s discovery of contingent rewards to narrow and limit the depth of thinking (functional fixedness), Harvard researcher Teresa Amabile confirms that while suitable for algorithmic tasks, “if-then” extrinsic rewards stifle the very creative problem-solving on which the heuristic work of modern economies depends.\textsuperscript{158}

\textit{4.1.2 Motivation Versus Movement}

Not only does extrinsic motivation hinder conceptual thinking, is also misrepresents the observed results. “If I kick my dog (from the front or the back), he will move,” psychologist Frederick Herzberg begins. “[But] when I want him to move again, what must I do? I must kick

\textsuperscript{154} Douglas McGregor, a management professor at MIT, identifies this as symptomatic to what he terms “Theory X,” where if a manager believed in the “mediocrity of the mass,” then that became the ceiling the manager could achieve. See Pink (2009), page 74.
\textsuperscript{155} Ibid., page 17.
\textsuperscript{156} Ibid., page 27.
\textsuperscript{157} Routine white-collar work is racing offshore (to “wherever it can be done the cheapest”), and “simple intellectual labor” is being replaced by computers, Pink observes. Ibid., page 28.
\textsuperscript{158} Ibid., page 44-45.
him again.”\(^{159}\) Thus is the nature of extrinsic rewards.\(^{160}\) In the management world, ‘kicking the dog’ is the equivalent of saying to an employee, “Do this for me or the company, and in return I will give you a reward, an incentive, more status, a promotion, all the quid pro quos that exist in industrial organization.”\(^{161}\) But who is motivated here? The company or the employee? For Herzberg, the answer is one and the same as that of the dog-kicking example: The company is the one who is motivated, and the employee is the one who moves. In other words, behavior from carrots-and-sticks is movement, not the result of true motivation.\(^{162}\) “[I] can charge a person’s battery, and then recharge it, and recharge it again. But it is only when one has a generator of one’s own that we can talk about motivation,” Herzberg argues. “One then needs no outside stimulation. One wants to do it.”\(^{163}\)

4.1.3 The Three Elements of Intrinsic Motivation

No wonder researchers Edward Deci and Richard Ryan state, “When people use rewards to motivate, that’s when they’re most demotivating.”\(^{164}\) Instead, knowledge-based companies should look beyond extrinsic motivation to focus on creating environments for their employee’s inner drives to flourish.\(^{165}\) Human beings have the innate desire to be self-directed, to make progress, and to be part of a cause greater than themselves.\(^{166}\) Only when companies provide the conditions for autonomy, mastery, and purpose can employees run on their own generators for lasting high-performance.

\(^{159}\) See Herzberg (1987), page 5.

\(^{160}\) This is also the same principle economist Anton Suvorov describes, regarding extrinsic rewards addiction. See chapter 3.3.2, first paragraph.

\(^{161}\) See Herzberg (1987), page 6.

\(^{162}\) Author Alfie Kohn makes a similar argument, distinguishing true motivation from mere “compliance,” which is what rewards and punishments induce. See Kohn (1993), page 41.

\(^{163}\) See Herzberg (1987), page 6.

\(^{164}\) See Pink (2009), page 70.

\(^{165}\) Ibid.

\(^{166}\) See Pink (2009).
4.1.3.1 Autonomy

Autonomy is not about independence. It is about acting from choice.\textsuperscript{167} Consider why if-then rewards can be addictive and turn play into work (Sawyer Effect).\textsuperscript{168} They are perceived as the reason for the task’s accomplishment, even when original intrinsic motivations exist. Here, proffered individuals are no longer acting from choice. They are merely reacting to external rewards, compromising autonomy for extrinsic motivation. Deci and Ryan elaborates: “Autonomous motivation involves behaving with a full sense of volition and choice, whereas controlled (extrinsic) motivation involves behaving with the experience of pressure and demand toward specific outcomes that comes from forces perceived to be external to the self.”\textsuperscript{169} Therefore, autonomy is the first requirement to liberating intrinsic motivation. In fact, companies that have found ways to increase employee autonomy over task (what), time (when), team (with whom), and technique (how) are regularly outperforming their competition.\textsuperscript{170}

4.1.3.2 Mastery

The “urge to master something new and engaging” is the best predictor of productivity. That is the conclusion of a study, involving 11,000 industrial scientists and engineers, working in US companies.\textsuperscript{171} It is also a finding supported by Teresa Amabile, who after examining the day-to-day motivation levels of employees, determines “making progress in one’s work” to be the single most motivating aspect of many jobs.\textsuperscript{172} Mastery begins with “flow”—optimal experiences when goals are clear, and challenges are neither too easy (results in boredom) nor too difficult (results in anxiety)—and follows three peculiar laws.\textsuperscript{173} First, mastery is a mindset. According to Carol Dweck from Stanford, people either ascribe to an “entity” or “incremental” theory of

\textsuperscript{167} See Kohn (1993), page 192.
\textsuperscript{168} See chapter 3.3.2.
\textsuperscript{169} See Pink (2009), page 88.
\textsuperscript{170} Ibid., page 90-105.
\textsuperscript{171} Ibid., page 115.
\textsuperscript{172} Ibid., page 127.
\textsuperscript{173} Ibid., page 112-125.
intelligence. Those who hold the entity theory view their abilities as finite that cannot be increased like height. Incremental theorists, on the other hand, see abilities as malleable that can be increased like strength. The difference is between demonstrating and developing intelligence. One sees working hard as a sign of weakness, while the other sees it as a way to get better, leading to mastery. Next, mastery is a pain, demanding sustained efforts and deliberate practice. “Whereas the importance of working harder is easily apprehended, the importance of working longer without switching objectives may be less perceptible,” notes sociologist Daniel Chambliss. But the latter is as essential to high accomplishment as talent—an observation Chambliss refers to as “the mundanity of excellence.” Finally, mastery is an asymptote, impossible to fully realize. It is a condition well understood by athletes, whose simple goal of becoming better can never be reached. The joy is in the pursuit. Mastery attracts because mastery eludes.

4.1.3.3 Purpose

Traditional businesses have long treated purpose as something auxiliary to value creation. But the best-performing companies stand for something, and make a contribution. Author Simon Sinek codifies the distinction in what he calls “the Golden Circle.” All companies know what they do (the product or service they provide). Some know how they do it (their competitive advantage). But only the greatest companies know why they do it—why, not as in to make a profit (“that’s a result”), but as in, what is the purpose? Why does the company exist? And why should their employees or anybody else care for that matter? Human beings, by their nature, thirst for context to understand how they connect to a larger whole. The most successful organizations realize superior performance from their human capital by animating with purpose, not motivating with rewards.

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174 Ibid., pages 118-119.
175 Ibid., pages 122-123.
176 Ibid.
177 Ibid., page 113.
179 Ibid., page 39.
180 See Pink (2009), page 174.
4.1.4 Implicit Understanding of Intrinsic Motivation at KD

Though not explicitly labeled by interviewees as autonomy, mastery, and purpose, the three elements all exist in varying degrees at KD. To start, a great deal of autonomy is given to the leasing team regarding their task, time, and technique.\(^ {181}\) Whereas the property management and construction departments require more structured protocols and process-specific methodologies, the development and especially the leasing departments want their performers to be self-directed.\(^ {182}\) On the value of autonomy, the SVP of Leasing says, “To grow people, you need to let them work alone.”

The significance of mastery is manifest in the Regional Manager’s definition of a high performer. High performers are “lifelong learners.” They are high in “energy” and “engagement,” and are always ready for the next challenge (“exploration”). Like mastery, lifelong learning is a mindset. “The most important quality [to a high performer] is inquisitiveness or curiosity,” replies the SVP of Leasing. “They are always wanting to grow and to learn.” Lifelong learning is also a pain. It requires exacting discipline that can waver when

\(^ {181}\) Regional Manager. Interview. 14 June 2012.
\(^ {182}\) Ibid.
priorities change. “Most [high performers] shutdown seven years into the job,” comments the Regional Manager. Families often takeover, and when children enter the picture, a role shift occurs from being a learner to a teacher. Not to mention, lifelong learning is, well, lifelong. The first sign of a weak performer is “the loss of a sense of urgency,” says the Regional Manager. “They quit learning, thinking they know it all”—When in fact, lifelong learning is an asymptote that can never be fully attained.

Lastly, KD thoroughly understands the role of purpose in great organizations. Familiar with Sinek’s Golden Circle, the Regional Manager talks at length about redirecting company goals to focus on the why, instead of the how and what (and not the other way around). At KD, the why is the belief that “great space and place change lives—which in turn help companies be great.” It is accomplished by understanding the idiosyncratic needs of its tenants (the how), in order to build high-performance workspaces that reflect the tenant’s culture and innovation (the what). For KD, the why is the overall narrative—the common thread that links and aligns the how and what to impact all decision-making. Only when employees thoroughly understand the why can they give “constructive input to [their] managers,” and be truly high performing.

4.1.5 Summary of Intrinsic Rewards at KD

KD demonstrates a firm grasp of the conditions necessary for intrinsic motivation. Employees are given varying degrees of autonomy, encouraged to be lifelong learners, and their efforts are put in a meaningful context. Nonetheless, saying is one thing; doing is another. In the next section, the implementation of intrinsic motivation is discussed to see what strategies leading scholars and other successful companies recommend, vis-à-vis what KD actually applies at home.

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183 Ibid.
184 Ibid.
4.2 How to Implement

Autonomy, mastery, and purpose lay out the conditions for intrinsic motivation to thrive. They do not, however, give strict guidance on their implementations. Instead, companies must pick and choose the strategies and policies that work for them. The good news is the three elements are not all-or-nothing absolutes. A company does not need to prescribe drastic changes in order to intrinsically motivate its employees. Incremental benefits can accrue from even minor adjustments.

4.2.1 Applying Autonomy

One way to significantly boost autonomy is to create a results-only work environment (ROWE).185 Developed by Cali Ressler and Jody Thompson, former human resource executives at Best Buy, ROWE requires only that the work be done. How employees do it, when they do it, and where they do it is completely up to them. CEO Jeff Gunther did just that with Meddius, a healthcare computer solutions company, and the results are striking: productivity increased as stress decreased.186 What started out as an experiment quickly turned into a permanent policy. For Gunther, the move was a no brainer.187 In addition to superior performance, Gunther believes ROWE effected better employee retention. Employees are less likely to jump ship for a $10,000 to $20,000 increase in salary, he reasons.188 The autonomy to do great work is simply more valuable. Another, less radical example, is Google’s “20 percent time.”189 Engineers at Google are provided one day a week to work on any side project of their choosing. Some use this time to fix an existing product, but most decide to develop something entirely new. Once again, the results speak for themselves. In a typical year, “20 percent time” can account for more than half of Google’s new offerings.190

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185 See Pink (2009), page 84.
186 Ibid.
187 ROWE did not suit everyone. Two employees could not adapt to the new freedoms and left.
188 Ibid., page 85.
189 Ibid., page 94.
190 Google News, Gmail, and Google Talk are all examples of offerings birthed from “20 percent time.”
But just as there is no one-size-fits-all strategy for every company, so too do individuals prize different aspects of autonomy. On this topic, Zappos CEO Tony Hsieh writes, “…What people feel like they want control over really varies, so I don’t think there’s one aspect of autonomy that’s universally the most important…. The best strategy for an employer would be to figure out what’s important to each individual employee.”\(^{191}\) This sounds like a daunting task, but companies can start by involving employees in goal-setting, and by allocating one to two hours a week for employees to approach management with any feedback they may have.\(^{192}\) Opening two-way communications is how companies can best understand the intrinsic motivation deficiencies, and their tailored solutions.

4.2.2 Applying Mastery

Work generally has the structure conducive to achieving “flow”: clear goals, immediate feedback, and well-matched challenges.\(^{193}\) Therefore, spending time to elucidate goals, to give prompt and constructive feedback, and to craft stimulating tasks are all worthy endeavors companies should do to inspire mastery. For the last effort to be effective, companies need to be wary of merely enlarging the meaninglessness of a job.\(^{194}\) Encouraging autonomy (task, time, team, and technique), introducing new challenges, and assigning specialized tasks are correct approaches to job enrichment. On the other hand, challenging an employee by increasing production targets, adding routine activities, and removing difficulties altogether, only aggravate the disengagement.\(^{195}\) When all else fails, companies can try affording employees the capability to sculpt their jobs in ways that provide some flow to otherwise mundane activities. Cleaning staff that took on supplementary tasks such as chatting to patients and supporting nurses’ work, for example, were noted to be more satisfied in their work, and more confident in their abilities.

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\(^{191}\) Ibid., page 106.

\(^{192}\) Ibid., pages 170-171.

\(^{193}\) Ibid., page 127.

\(^{194}\) See Herzberg (1987).

\(^{195}\) Frederick Herzberg discriminates the two groups of actions as the difference between “horizontal job loading” (enlarges the meaninglessness) and “vertical job loading” (produces better engagement). Ibid.
“Even in low-autonomy jobs, employees can create new domains for mastery,” observe business school professors Amy Wrzesniewski and Jane Dutton. By collaborating with employees to customize future work assignments, companies can stretch employee skills in the most productive direction.

To foster an incremental theory of intelligence—especially for novel undertakings—companies can designate more learning, rather than performance, goals. Like contingent rewards, goals for performance often only work for relatively straightforward tasks. In a study with students, Carol Dweck finds those given learning goals (e.g. to be able to apply a set of scientific principles) consistently scored higher on new challenges than those with performance goals (e.g. to get a high mark on a test). They also worked longer and experimented with more solutions. Dweck explains the difference: “With a learning goal, students don’t have to feel that they’re already good at something in order to hang in and keep trying. After all, their goal is to learn, not to prove they’re smart.”

4.2.3 Applying Purpose

Like promoting mastery, instilling purpose is not a one-time proposition, but a continuous management function. Context building at the macro level may be obvious, but the need for purpose at the level of departments and teams may be less so. However, research shows that a large part of what sets the best teams apart is the amount of time devoted to shaping and agreeing on a common purpose, belonging to the group both collectively and individually. Individual purpose can also be amplified by increasing autonomy. In a study looking at the burnout rates of doctors, those who were able to spend one day a week on an aspect of the job most meaningful to them (whether it be patient care, research, community service, etc.) exhibited half the physical

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196 See Pink (2009), page 117.
197 See Butler and Waldroop (1999).
198 See Pink (2009), page 119.
199 Ibid., page 120.
200 Ibid.
201 See Katzenbach and Smith (1993).
and emotional exhaustion.\textsuperscript{202} Subsequently, solely focusing on the development of tiered
performance and learning goals to reach company objectives (i.e. results) is not enough.
Organizations at all levels should strive to place the efforts of groups and individuals into
meaningful contexts for superior and sustained value-creation.

4.2.4 Applying the Three Elements at KD

Once again, KD is extraordinarily thoughtful on the applications of autonomy, mastery, and
purpose. In the leasing department, two things bolster autonomy. One, a framework of
disciplines, organic to the department, sets a guided but pliable backdrop for individual work
processes. Entitled “DISC” for “discover, impress, solve, and close,” the acronym communicates
a business strategy that is simultaneously tight enough for amalgamating departmental
objectives, and loose enough for autonomous expansions.\textsuperscript{203} And two, the preference for self-
direction and the focus on results (as opposed to monitored procedures) are evident in
performance goals and skill competencies that stipulate the expectation for independent deal
making.\textsuperscript{204}

The route to mastery begins at recruitment, and then is systematically cultivated. Integrated
into KD’s anti-star system of “growing potatoes,” recruits are typically younger (“First crack at
A-players out of school (i.e. college),” comments the SVP of Leasing), and must first
demonstrate a “history of lifelong learning.”\textsuperscript{205} This habit for mastery is then carefully nurtured
through training programs and workshops that emphasize learning over performance goals. The
recently reconfigured Board of Education, for example, periodically gives recreational book
assignments to a group of ten to twelve junior associates.\textsuperscript{206} Then there is KD University, an

\textsuperscript{202} Pink writes, “Think of it as ’20 percent time’ with a purpose.” See Pink (2009), 140-141.
\textsuperscript{203} Leasing Manager. Interview. 20 June 2012.
\textsuperscript{204} SVP of Leasing. Interview. 18 June 2012.
\textsuperscript{205} Regional Manager. Interview. 14 June 2012. He also reiterates the need to “get to them
(recruits) young” so as not to pick up “bad habits” and or “baggage” from another working
environment. See also chapter 3.3.4, second paragraph.
\textsuperscript{206} Ibid. According to the VP of Leasing, the Board of Education was originally established to
“develop, implement, and track training initiatives.” It has since been reprogrammed by the
Regional Manager.
annual office-wide conference since 2005, featuring a series of workshops related to a yearly theme (e.g. sustainability), that is taught almost exclusively by employees.\footnote{SVP of Leasing. Interview. 20 June 2012.} Meanwhile, informal mentorships routinely reinforce the incremental theory of development. “I hate public speaking,” admits the VP of Leasing; but the Regional Manager (his informal mentor) pushes him to do more. “‘Just keep doing it,’—he would say.” Surely, the intent of these programs (both formal and informal) is to flex the learning muscle to ingrain the building of mastery, incrementally over time. As the Regional Manager is quick to remind attendees of KDU, “It is not just about today, but every day.”

For “flow,” clear goals and constructive feedback occur at regular intervals. Officially, these practices are observed during year-end performance reviews, where individual performance goals are aligned with that of the department, and employees are given a “good sense of where they are, and what they need to work on.”\footnote{Ibid., 18 June 2012.} But as the SVP of Leasing adds, goal-setting and constructive feedback now take place “informally throughout the year.” At the end of the day, leasing is a “results-driven business,” he elaborates. “If you have a weakness, it’s going to be exposed (and addressed on the job).” Immediate feedback also comes from another intriguing source: A scoreboard in the leasing department that tallies the square footage leased against the department’s annual targets.\footnote{Ibid. There is an additional scoreboard kept by the SVP of Leasing that ranks the buildings by revenue to see their comparative impacts. Regional Manager. Phone conversation. 29 June 2012.} “It’s a way of tracking progress,” says the Leasing Manager. Furthermore, senior management is considerate about opening two-way channels of communication. The Regional Manager, for instance, habitually takes his employees out to lunch or singles them out during his office “roaming[s]” to ask, “What are your challenges?” and “How can I help you?”\footnote{Regional Manager. Interview. 14 June 2012.}

The commitment to reach out to employees can also be seen in the office’s approach to activating purpose. Each year, the office hosts an “All Associates Meeting,” during which the company’s enduring vision and values are renewed and reinterpreted as a theme for the rest of
Moreover, at the monthly department heads meeting, each department is challenged by the Regional Manager to set and execute “goals that tie back to the why.” It is then up to the department heads to thoroughly review these performance goals with their employees. As the SVP of Leasing comments, the Regional Manager did not want “militaristic, hierarchical leaders.” Instead, it is a core leadership responsibility at KD to “clarify purpose.” Last but not least, the Regional Manager is prone to give context-building addresses at project groundbreaking and topping-off events. At a recent public relations event, celebrating the completion of a LEED platinum building (the first in the city), the Regional Manager passionately imparted the following sentiments: “…For the rest of our lives, we’ll be able to… point up to this building, and say to our children and grandchildren, someday, that we were part of history.”

4.2.5 Summary of Intrinsic Implementations at KD

On paper, KD is doing many things right. The leasing department is run with an open hand, oriented around results. The anti-star system, with an eye for training, is calibrated to breed lifelong learning. And meaningful context is continuously supplied and managed at all levels of the organization. But how much autonomy do high performers truly have? What are the pressure points to this anti-star system? Is purpose reaching the high performers? In the next section, the implementation of intrinsic motivation is placed in context to see how intrinsically motivated KD high performers are, and how effective intrinsic motivation is for attraction and retention.

211 In 2010, for example, the theme was “Awareness,” which is connected to KD’s mantra of lifelong learning. It’s part of what the Regional Manager refers to as the “adaptive capacity” for change. One needs to be aware of the issues and problems in order to pinpoint the learning gaps and apply the knowledge learned. 2010 All Associates Meeting PowerPoint presentation.

212 Leasing department goals used to be reviewed with the team on a bi-weekly basis, but now it occurs informally but frequently as with constructive feedback, says the SVP of Leasing.

213 2009 All Associates Meeting PowerPoint presentation. The other three key leadership responsibilities are “inspire trust, align systems, and unleash talent.”

214 Transcribed from a YouTube clip, uploaded June 2012.
4.3 How They Work

There are many moving parts to intrinsic motivation—each with its own nuts and bolts, securing and fastening the three elements: autonomy, mastery and purpose. When there is superior value creation, it is difficult to attribute the effect to any one aspect of intrinsic motivation (and who is to say there are no free riders?). On the same token, when there is value destruction, locating deficiencies is likewise challenging. A company should also not lose sight of the fact that the work does not end with high performance. Developing intrinsically motivated talent is one thing. Keeping them is another.

4.3.1 Diagnosing Failures and Successes

It is easy to assume high performers are intrinsically motivated and satisfied. But make no mistake: High performance does not always reflect or lead to job satisfaction. Lurking underneath may be intrinsically demotivated employees, ready to shutdown at a moment’s notice. In fact, according to a 2009 survey by the Corporate Executive Board, one in three “emerging stars” reported feeling disengaged from her company. Furthermore, one in five believed there was misalignment between her personal aspirations, and the company’s plans for her career development. Precisely because high performers work harder and perform better, they often hold their employers to higher standards. Which is probably why of all the high performers surveyed, 12% revealed they were actively searching for a new job.

Companies should therefore take vigilant temperature of their talent, even when they are high performing. Extra attention should be paid to the formation of individual development plans that link personal career objectives to the company’s plans for growth. Succession planning should

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215 High performers only stay when the job is aligned with their “deeply-embedded life interests.” See Butler and Waldroop (1999).
216 See Martin and Schmidt (2010), page 2.
217 Ibid., page 5.
218 Ibid., page 3.
219 Ibid., page 2.
220 Ibid., page 4.
be prioritized in order to hang onto top talent, craving greater opportunities for leadership and mastery.\(^{221}\) And as recommended in the previous section, companies should ensure a robust two-way channel of communication by scheduling regular check-ins with employees. A formal mentorship system is a great way to accomplish this. Companies just need to be mindful to train mentors properly for constructive feedback. After all, their role is first and foremost a coach, not a cheerleader.\(^{222}\)

4.3.2 Keeping the Stars You Grow

Companies can be easily distracted by high performance, and neglect the intrinsic motivation deficiencies veiled beneath—but the potential consequences are great. So too is the case when companies preoccupy only with the development of talent, and otherwise overlook the retention of the very stars they labored to create. Notwithstanding the caveat, an anti-star business model to grow as opposed to transplant high performers is an approach validated by research. Studies show stars loose their luster when they leave one company for another.\(^{223}\) That is because stardom is not only attained by individual effort, but also made by company-specific resources.\(^{224}\) Access to information (from internal relationships/collaboration, mentorship and training programs), autonomous working conditions, meaningful responsibilities, etc.—all contribute to a star’s high performance, but cannot be similarly uprooted when the star makes her exit.\(^{225}\) At the same time, the loss goes both ways, as the company left behind must now invest significant time and resources in the development of new talent.

\(^{221}\) Companies who do not prioritize succession planning end up experiencing an attrition of talent. See Cohn, Khurana, and Reeves (2005), page 3. Succession planning is also beneficial for increasing line of sight to promotions. See also chapter 3.3.4, third paragraph.
\(^{222}\) See Fernandez-Araoz, Groysberg, and Nohria (2009), page 11.
\(^{223}\) At least temporarily (see footnote 225). And as feared by MFS, once stars change jobs, they frequently keep moving to the highest bidder. See Groysberg, Nanda, Nohria (2001), page 2.
\(^{224}\) Ibid., page 5.
\(^{225}\) To reclaim their high performance, stars must unlearn old practices and adapt to their newly available resources. Stars can be slow to adopt fresh approaches, however, due in large part to the habits that contributed to their previous successes. Ibid., page 2.
Consequently, only the best companies leverage intrinsic motivation to grow their own talent, and root them too.\textsuperscript{226} Lehman Brothers in the early 90s, for example, understood the innate desire of high performers for leadership and mastery. In addition to numerous training programs and workshops (to grow and sustain), Lehman provided its star analysts with opportunities to speak on behalf of the company at conferences, and to develop relationships with clients (to retain).\textsuperscript{227} Retention was also secured by increasing autonomy. Former executive Jack Rivkin held on to many Lehman stars—despite paying them 25 to 30\% less than leading rivals—by encouraging them to establish home offices.\textsuperscript{228} Too often, the significance of intrinsic motivators to retention is only fully appreciated when it is too late. Such is the story with Lehman, who experienced an “exodus of talent” in response to a changed work environment following Rivkin’s departure in 1992.\textsuperscript{229}

4.3.3 Autonomy at KD

Autonomy is used to motivate high performance at KD, but it is not extensive enough to clearly effect retention. Essentially, the leasing department is run as in sales; the VP of Leasing remarks, “It does not matter if you’re here one hour a day, as long as you get your work done.” In other words, there is “no micromanaging,” no explicit supervision.\textsuperscript{230} The implicit trust is that assistance will be asked when needed.\textsuperscript{231} Autonomy also increases with each promotion, which is well perceived by the entire team. “Everyone wants more autonomy, to prove themselves in order to advance,” notes the Leasing Manager.

Indeed, there is much autonomy, “especially considering the value of the contracts negotiated.”\textsuperscript{232} But while the department is run with an attitude akin to a results-only work

\begin{footnotes}
\item[226] Companies should not motivate with extrinsic rewards. But they should also avoid extrinsic demotivation from unfair processes and outcomes. See chapter 3.3.3, first paragraph.
\item[228] This salary gap is dubbed by Wall Street as “the Rivkin discount.” \textit{Ibid.}, page 7.
\item[229] In a 15-month period ending in June 1995, 30 out of 72 research analysts left. \textit{Ibid.}
\item[230] This is concurred by the Leasing Manager.
\item[231] VP of Leasing. Interview. 29 June 2012.
\item[232] \textit{Ibid.}
\end{footnotes}
environment, the actual results are less liberating. Sure there is autonomy in time, but as the high performers reveal, there are not enough hours in a day for this to be a real benefit. “Working hours are from 8:30 am to 5:30 pm, but that is not realistic,” says the Leasing Manager. Instead, for both high performers, a typical working day starts at 7:30 am, and does not end until 6:30 pm. Likewise, even though the company is flexible about people working outside the office, the collaborative nature of their work installs the stars in the office for long hours.\textsuperscript{233} “You need to be constantly near each other,” explains the VP of Leasing, for the “exchange of ideas and strategy.” As a matter of fact, the Leasing Manager estimates that three quarters of his time is spent collaborating with other departments. Time in the office is simply too “valuable for collaboration.”

\textit{4.3.4 Mastery at KD}

Time is also an issue for mastery. Programs like the KDU and the Board of Education are both well received by the high performers. If only they had the time to fully enjoy them. KDU “forces you to get out of your daily routine to learn with the team,” says the Leasing Manager. But as a teacher, while rewarding, the preparation involved is incredibly “time consuming”—Time he was strapped to find the weeks leading up to the event. Similarly, the VP of Leasing was honored to found the first incarnation of the Board of Education; but the lack of free time prevented his ongoing involvement.

Aside from time, high performers want more constructive feedback. Communication with informal mentors is frequent—there is an “open door policy” to mentors, comments the Leasing Manager—but constructive feedback remains scarce. Officially, it is allocated to the year-end performance review. But as the VP of Leasing divulges, that conversation is more of a career discussion as opposed to a “You need to work on this” and “I’d like to see you here” kind of discussion. And though the SVP is a fantastic and well-respected leader of the department, he is regarded as more of a “Mr. Positive” than an instructive coach.\textsuperscript{234}

\textsuperscript{233} Roughly 50\% of the work occurs outside the office, but it is out of necessity, not out of choice, says the Leasing Manager.
\textsuperscript{234} VP of Leasing. Interview. 29 June 2012.
There is also a gap for immediate feedback. The department scoreboard was meant to aid in this respect, but “We have gotten away from it,” says the Leasing Manager. Regardless, for the VP of Leasing, the scoreboard “doesn’t connect to the day-to-day.” The square footage countdown is “more of a distraction,” he elaborates, “because you can’t control the sales cycle without hurting economies (i.e. net revenues).” Here, incentives and outcomes are muddied. Does work end once the finish line is reached? More deals can be made by lowering rents, but is that still thinking like an owner? The simple metric looses too much context for the VP to find it useful. What would be preferred instead are personalized, non-deal-specific indicators that track, for example, the number of lunches with brokers. Such activities are identified by the leasing department to be valuable for deal sourcing, and are “directly controllable.”

4.3.5 Purpose at KD

Compared to autonomy and mastery, KD unequivocally excels at inculcating purpose. “Everyone is on a common goal,” says the Leasing Manager—and that is to create “great spaces and places for great companies.” His own work in the leasing department is in service of this goal by generating “custom real estate solutions for clients.” This sense of belonging to a larger collective is reinforced with the use of “we” when the high performers talk about the organization. According to former US labor secretary Robert B. Reich, this small pronoun distinction has large implications. When employees refer to their companies as they, there is at least some degree of disengagement. But when we is used, it signifies that employees feel they are a part of something meaningful. KD is without a doubt, a we organization.

235 It has not been updated since the department lost its Leasing Coordinator. Leasing Manager. Interview. 20 June 2012.
236 It is important to note that “lunches with brokers” is not a performance measure. The leasing team is not incentivized, but only encouraged to partake in these activities for deal sourcing. Whether more lunches are always preferable (and thus worth the constant reminder/feedback) is a decision KD needs to evaluate for itself.
237 See for example the quote from the VP of Leasing in chapter 3.3.8: “While we have tremendous real estate and investment expertise….”
238 Pink calls this the “Reich’s Pronoun Test.” See Pink (2009), pages 171-172.
Evidently, purpose has reached the high performers. In fact, so much has the VP of Leasing internalized the *why*, that he is now concerned about a perceived misalignment to the *how* in the long term. “There’s a change in the business, and the industry is behind-the times,” he begins. In order to maintain KD’s “leading edge,” there needs to be a more holistic operating philosophy that places the customer over the investor—not only in words, but also in actions. The “entire business is set to serve the investor,” but that can be value destroying for both the *why* and the long-term financials. Consider the property manager who is incentivized to save costs, at times at the expense of customer relations. Nickel-and-diming for perfunctory property management requests such as “changing a light bulb” or “flipping a switch to turn on the A/C” (after regular working hours) is shortsighted behavior, he says, especially when tenants are already paying “premium rents.” For the VP, it is a “concept of bad profits”\(^{239}\) that distracts from the purpose (of making companies great from creating great spaces and places) to “hurt the long-term value creation.”

### 4.3.6 Challenges to Intrinsic Motivation at KD

Many of the same challenges besetting the effective management of extrinsic motivation apply to that of intrinsic motivation as well. The lack of systems and processes supporting KD’s unofficial anti-star business model continue to enact pressure points on senior management for its day-to-day applications. In particular there are no scheduled check-ins with employees, and no formal mentorship program. Neither is there a formal system for two-way feedback. Instead, the crucial function of diagnosing intrinsic demotivation and tailoring solutions rests mostly on the Regional Manager, and informal mentors. The latter is potentially more unreliable, considering the self-initiation component on behalf of high performers for both the formation of the mentoring relationship, and when a meeting is deemed to be necessary (open-door policy). Whether or not all employees have informal mentors is also ambiguous, which only serves to weigh on the efficacy of informal strategies such as “roaming.”\(^{240}\)

\(^{239}\) The Regional Manager is also well aware about the “concept of bad profits.” In fact, he coined the term. Regional Manager. Phone conversation. 29 June 2012.

\(^{240}\) See chapter 4.2.4, third paragraph.
Time remains a rare commodity, affecting the true impact of many programs and policies. There is not enough time for autonomy to be compelling. Training programs compete with daily responsibilities. And departmental goals are no longer revisited and renewed punctually.\textsuperscript{241} It is a challenge well understood by senior management. The SVP of Leasing, for instance, observes his people are “stretched too thin.” “We’re asking too much of our people,” he says. And “people go home at night because it is dark out,” not because work is complete. To be sure, there are no easy fixes for this problem. But KD can consider alleviating this issue by adapting Google’s “20 percent time,” setting aside one day or even half a day a week for non-urgent work of the employee’s choosing.

Finally, the fragmented working culture is still leaving some value creation on the table. It manifests itself in the outdated workspaces, which is increasingly incompatible with how work is accomplished. As the Leasing Manager reveals, up to 75% of his time at work is spent collaborating with others. He then notes with some irony that his current office is not as conducive to KD’s collaborative and “open door” culture as the bullpen space he first inherited as an intern. Mastery is compromised, but so too is autonomy. On the ROWE attitude of the leasing department, the VP of Leasing is quick to qualify that the “rest of the company is not like [the SVP of Leasing].” Rather, an “old KD” mentality persists—manifest in the observance of rounds by certain corporate executives, betraying a rigid belief that work is primarily done “at your desk.”

\textit{4.3.7 Intrinsically Motivated to Join and to Stay at KD}\textsuperscript{241}

There is always room for improvement, but there is no denying that high potentials and high performers are intrinsically motivated to join and to stay at KD. Amusingly, the Patriot Effect introduced in chapter 3.3.9 is both an extrinsic and intrinsic motivator. The Leasing Manager, for example, talks about joining not only to be a part of “the best”, but also to learn from the very

\textsuperscript{241} The SVP of Leasing talks about replacing formal department goal reviews with informal communication (see footnote 212), and the VP of Leasing mentions not receiving the department performance goals for 2012 until June 2012. Keep in mind, however, that leasing performance targets in of themselves are less meaningful to the high performers, and—like the scoreboard—do not immediately affect the day-to-day.
best. It is the same sentiment for mastery that is shared by the VP of Leasing, who reports staying for the “great people and (informal) mentors that teach you about business and life.” The Patriot Effect is not just about associating with and learning from success, however. It is also about belonging to a greater cause. As the Regional Manager expounds, “You want to play on the winning team… the team that ‘makes a difference.’ Deep-down inside, everybody wants to be part of something bigger than themselves.” That is, the Patriot Effect captivates with the promise of success and legacy.

The power of purpose to retain is intensely felt by the SVP of Leasing. “Connecting what everybody does to a bigger goal… I think that matters,” he says. He then shares a story of two bricklayers the Regional Manager recently told the office: One bricklayer is sweating, tired, and complaining; but the other bricklayer, when asked whether he was enjoying his work, replies, “You kidding? I’m building a cathedral.” This need for the big picture is reflected in the VP’s rationale for turning down a competing offer: “They are all about benefiting the equity in the short-term”—The implication being that his lasting values for the how and why are better aligned with those of KD. For the Leasing Manager, having purpose is also a main reason for staying. “How people use office space is truly changing, and it is imperative to be ahead of that curve,” he says. In that regard, KD’s mission to “create great spaces and places’ is inspiring.” “It is great to work for a company that believes that.”

4.3.8 Summary of Intrinsic Motivation at KD

High performers at KD are intrinsically motivated. Their work is for the most part self-directed. They are given ample opportunities for growth and mastery. And they have deeply internalized the company’s purpose. In spite of the enduring challenges that plague the implementations of both extrinsic and intrinsic motivations, KD is a we organization. At the end of the day, that is what matters for these high performers. To belong and contribute to a company that stir the same deep-seated values they have for the how, and most importantly, for the why of their work.
4.4 Extrinsic and Intrinsic Motivations Together

Unlike extrinsic motivation, intrinsic motivation seems a lot more reliable. There are few—if any—unintended consequences: No tradeoffs to manage, no escalating rewards addiction, no functional fixedness, no negative Sawyer Effect…. Only three simple elements that provide cumulative benefits for internally generated motivation as opposed to externally induced, kick-the-dog movement. But just as extrinsic performance measures need to be managed for alignment, so too is intrinsic motivation not perfectly aligned with value creation. As Harvard Business School professor Brian Hall writes, “If people naturally enjoy and want to do things that create the most value of the organization—then there is no incentive problem… Even the best jobs entail some aspects that are value creating for the organization, but are taxing, unpleasant and appropriately called ‘work’ for the individual.”242 Author Daniel Pink makes a similar observation: “Although advanced economies now revolve less around these algorithmic, rule-based functions, some of what we do each day—especially on the job—still isn’t all that interesting.”243 In these cases, linking authority to accountability (a well-developed incentive system) remains vital. It is also important to remember that a company’s motivational strategy does not exist in isolation. An active outside job market means comparisons between companies are inevitable.244 Therefore, while intrinsic motivation may be better leveraged for sustained high-performance, both extrinsic rewards (fair process and outcomes) and intrinsic motivators (autonomy, mastery, and purpose) are necessary for the attraction and retention of talent.

4.4.1 Attraction and Retention at KD

Thus far, KD high performers have repeatedly chosen to stay with the company. They are extrinsically motivated to do so by the KD brand and the job security. At the same time, they are intrinsically motivated to stay in order to learn and to contribute. But what would it take for them to consider another company? Again, their responses demonstrate the significance of extrinsic and intrinsic motivations for attraction and retention.

243 See Pink (2009), page 60.
244 See Hall (2002), page 8.
“For family or compensation?” The SVP of Leasing momentarily muses, only to settle on the intrinsic rewards of the work itself: “No… I will only leave if it wasn’t fun anymore.” For the VP of Leasing, the criterion is a combination of aligned values (the how and the why), leadership (influence and mastery), and income growth potential. He is worried that the latter two will “cap out” at KD, and in particular, that he is “stunting [his] leadership growth.” Eight years have passed since his arrival, and he still does not have a team he manages—Compared to the nine sales associates he led for his previous employer. And lastly, for the Leasing Manager to consider another opportunity, it has to be clear that there are “upward mobility,” and more money to be made “over the long term.” But like the SVP of Leasing, all is for naught if there is no fun, no purpose: “I need to work on something I’m passionate about.”
Chapter 5: Conclusion

This thesis started out with an exploratory premise: How is high performance managed in the knowledge-based economy? Is it applied to the real estate industry? Through an abridged survey of the leading theories and studies, the thesis reviewed the two types of motivational strategies. In extrinsic motivation, the literature suggests a well-developed incentive system is especially crucial when decision rights are decentralized. To link authority with accountability, performance measures must reliably capture the value creation of individuals by managing tradeoffs regarding controllability, alignment, and interdependency. The success of an incentive system further depends on its management to support a company’s long-term competitive advantage, to realize fairness in the process and outcomes, and to avoid the unintended consequences of if-then rewards. In intrinsic motivation, the literature indicates companies should harness the innate human desires to be self-directed, to make progress, and to contribute, for the increasingly complex work of modern economies. In contrast to extrinsic rewards, the three intrinsic elements are more reliable, self-renewing, and yield only additive benefits. They are also instrumental to the development of talent, and are powerful tools for attraction and retention.

The thesis then conducted a case study on KD, one of the leading real estate development and investment companies in North America, to analyze the extent to which these concepts are applied by management, and how they are received by high performers. From interviews with senior managers, it is evident that KD exhibits remarkable awareness on the nuances of motivational strategies. And though talks with high performers reveal that autonomy, mastery, and purpose are better implemented than the line of sight to extrinsic rewards, both motivations account for their joining and staying. Such is the hold of the Patriot Effect: The promise of glory from being affiliated with the best that makes a difference. Brand begets legacy. Or perhaps it is the other way around. Having purpose secures the successful reputation.
As this thesis focuses on only one company, it cannot make indicative generalities from the investigation. However, KD demonstrates it can be productive and worthwhile to borrow the best practices of human capital management—long incorporated by high-tech companies—to the real estate industry. To be sure, the systems and strategies employed by KD are specific to its culture and business model. Other real estate companies looking to follow suit should likewise tailor the extrinsic and intrinsic motivational strategies to support their own source of value creation, creating custom environments for their talent to do their best work. As the literature implies, the management possibilities are endless. But for Peter Drucker, the father of modern management theory, it all starts with redefining the task from “managing the work of people” to “managing for performance”: “One does not ‘manage’ people. The task is to lead people. And the goal is to make productive the specific strengths and knowledge of each individual.” In the end, that much is clear: In spite of all the things that can be better at KD, the company understands that the goal to lead. And it has.

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245 Hopefully this exploration motivates others to test out the learning and findings in other companies and industries.
246 See Drucker (1999), page 22.
Bibliography


Appendix A: Interview Question Outline

For Senior Managers

- What is your position, and what role do you play?
- How are people and work organized?
- What qualities do high-performing employees have in common?
- What other factors do you attribute to their high performance?
- What percentage of employees are high performers?
- How do you identify weak performers?
- In what ways does the company support high performers and how they work?
- How would you describe the working culture at BP?
- Are there mentorship and training programs?
- How do you keep your employees motivated? Is there an overall strategy?
- What direction do you give? When do you give context?
- How much self-direction do employees have over their work?
- What rewards are used to celebrate high performance?
- How do you evaluate their performance?
- What performance measures do you use? How are metrics and targets determined?
- Who evaluates performance? When?
- How is the typical compensation package structured? Is it competitive?
- How do you qualify for bonuses and other incentives?
- How are rewards communicated?
- Are there unexpected rewards?
- How do you ensure the systems and strategies are working as intended?
- How do you tell when employees are demotivated?
- What has worked best?
- What are the challenges?
- Why do you think high-performing employees apply to your organization?
- Why do you think they stay?

For High Performers

- What is your position, and what role do you play?
- When did you join and why?
- Were there opportunities to leave?
- Why do you continue to stay?
- What has your career progression with the firm been like?
- What is your next career objective? Is there room for growth?
- How would you describe the working culture at BP?
- How much direction do you receive for your work? When is context given?
- What is the mission of the organization? How do your efforts contribute?
- How much autonomy do you have over your task, time, and approach?
- Under what conditions do you do your best work?
- How does the department or organization support you and your career?
- Do you have a mentor? Who initiated the relationship?
- Do you receive support from peers? Are they high performers?
- What training programs have you participated? Do you find them useful?
- When do you receive constructive feedback?
- How are you rewarded for your work?
- Is the compensation plan competitive?
- Does your compensation reflect your performance?
- How is your performance measured?
- How do you qualify for bonuses and incentives?
- What are the challenges, and what would you change?
- What other ways are you recognized for your work?
- Are there rewards (monetary or non-monetary) you wished your company offered?
- What would it take for you to consider another job?