

Why Work?

CEOs and academics provide insights about why you work
and how you can be a better manager

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What would you do if you won the lottery?

Would you quit your job? How would your perceptions about money, pay, and their importance change, if at all? What motivates you and what makes you happy?

These are the big, seminal questions that define who you are, what you value, and what you like to do.

And, while you likely still haven't won the lottery, gaining insights about why people work and what role money plays in driving performance can help you become:

- More self-aware about your own needs and motivations, which is always a good thing.
- A better manager: someone who gets the most out of your team members while optimizing each team member's engagement and work-related satisfaction.

To address the questions of why people work and what role money *really* plays, we:

- Reviewed academic research, drawing on the insights and teachings of leading psychologists, philosophers, and educators.
- Interviewed CEOs and other top executives at leading financial services firms. The annual pay of most of these executives exceeded \$10 million. Several had a personal net worth exceeding \$100 million. Given that none of these executives had economic needs in the sense of making a mortgage payment or affording a holiday vacation, these executives provided a sort of control group that was untainted by economic needs. In particular, by understanding why these executives chose to work in the absence of economic needs, we can better understand work and money-related motivations – both our own and our team members'.

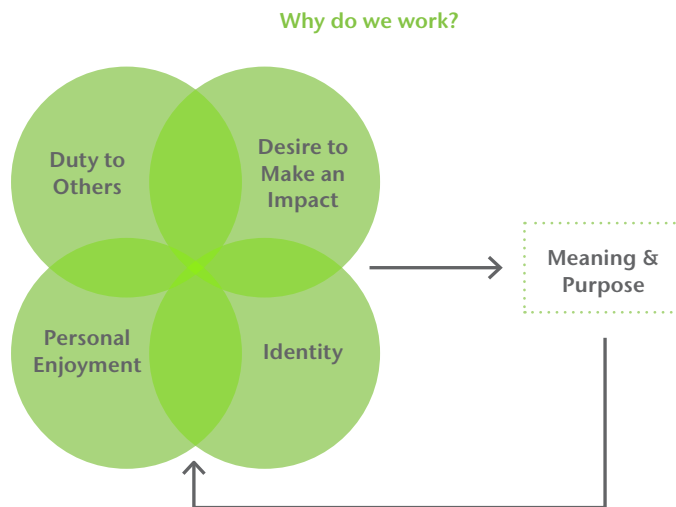
In this paper, our findings are organized around three foundational questions:

- I. Why do senior executives work, especially if they don't have economic needs?
- II. What role does pay play in why and how executives work?
- III. What can you do to retain and engage your top performers at all job levels – those with and without economic needs?

I. Why Do Senior Executives Work, Especially If They Don't Have Economic Needs?

Overall, we suspect that none of the executives that we interviewed would be willing to work for free. However, money – by itself – was not the reason why these executives worked 60-plus hour weeks.

As illustrated in the following diagram, executives work in response to four interrelated catalysts, identified by the circles that, together, help provide them with meaning and purpose.



“We work not just for ourselves, but also for others.”

“We work because it’s enjoyable.”

Catalysts:

- **Duty to others:** Much of our desire to work is driven by a personal sense of responsibility to others. Simply put, we are motivated to work because we know that people that we care about are depending on us. For the vast majority of us, this duty to others is focused on our coworkers, our managers, and the clients that depend on us. For the CEOs that we interviewed, this duty to others extends to shareholders and to the thousands of employees and their families that rely on their company’s prosperity for career growth and financial security. Reflecting this view, one of the CEOs commented that, “I feel a tremendous sense of responsibility to the people who’ve entrusted their care in me.”
- **Personal enjoyment:** If given the choice, people choose to spend their time in ways they find most satisfying. Highly paid executives clearly have that choice. For the CEOs that we interviewed, work provides opportunities for solving challenging, intellectually stimulating problems, and spending time with colleagues that they like and respect. Beyond that, work provides a venue to compete and, hopefully, win in an arena where they can let their competitive juices flow outside of the golf course or tennis court. For CEOs, these are things that make work fun.

For the rest of us, work also provides opportunities for enjoyment and personal satisfaction. Far beyond a 3 percent increase in base salary, these opportunities drive us to really do our best, to exceed challenging goals, to solve difficult problems, and to accept additional responsibilities. Moments when you say to yourself that “I can’t believe I did this” or “I’m really proud of what I accomplished” prove that work is indeed satisfying.

This connection between work and personal satisfaction was documented extensively by the psychologist, Mihaly Csikszentmihalyi, in his books about Flow Theory. In particular, Csikszentmihalyi writes that:

“Most enjoyable activities are not natural; they demand an effort that initially one is reluctant to make. But once the interaction starts to provide feedback to the person’s skills, it usually begins to be intrinsically rewarding.”

“We work because we want to matter.”

- **Desire to make an impact:** Everyone wants to matter – to friends, to family, and at work. Regardless of who you are or what you do, everyone wants to feel that they’re needed, that they’re important, and that they make a difference.

For CEOs, work allows them to demonstrate to others and to themselves that they can solve difficult problems, turn their companies around, and drive their stock prices to new record highs. These actions allow executives to leave tangible, indelible legacies on their companies, proving that they had an impact, and that they and their work mattered.

The connection between work and the personal desire to have an impact isn’t limited to senior executives. To be truly motivated, all employees must feel that their work makes an impact. On an individual level, any decision, whether big or small, can have an effect on the organization and their team members.

“We work because it is who we are.”

- **Identity:** It is often said that the most successful people “become their jobs and their jobs become them”; something that is true whether they are business executives, music superstars, Nobel laureates, or Olympic athletes. Work provides validation, admiration from others, and financial security, all while reinforcing and defining a sense of self.

The executives that we interviewed helped clarify this dimension of work, with comments such as:

- “I realize how much I rely on my job to form the core of my identity.”
- “I feel relevant in my role. I identify as an executive.”
- “My mind is always working. Work is a natural comfort zone for me.”

Outcomes – Meaning and Purpose:

Functioning together in an overlapping and self-reinforcing feedback loop (as illustrated in the earlier diagram), the catalysts define why we really work: to add meaning and purpose to our lives.

While the CEOs did not directly identify this relationship, their collective feedback helped clarify and illuminate the writings of noted psychologists, academics, and philosophers.

For example, Victor Frankl, in *Man's Search for Meaning*, wrote that without work, people easily “fall into an aimless existence.” Work provides objectives – with completion resulting in a deep satisfaction and sense of value. And, Frankl explained that work gives meaning to our lives, with physical or intellectual accomplishments expressing our skills and abilities, giving our lives a sense of satisfaction and meaning.

Further, Csikszentmihalyi explains that people who find that their lives are meaningful usually have:

1. A goal that is challenging enough to take up all their energy
2. A goal that can give significance to their lives

Once our basic needs are satisfied, whether we are a CEO or an entry-level Analyst, the executives and academics helped clarify that we work for duty, for enjoyment, for impact, to reinforce our identities and to find meaning and purpose.

II. What Role Does Pay Play?

So, if the quest to satisfy a set of higher-level personal goals helps explain a lot about why we work, why do we spend so much time and effort obsessing about compensation? Why do we feel that pay is important and why do we always want more?

Our executive interviews and academic research helped address these questions.

Pay is a scorecard: For executives, pay serves as an unfiltered marker of success; something that breaks through the clutter of performance reviews and the ambiguity of corporate rhetoric or “HR speak.” Pay cuts to the chase, by clearly signalling that we’re doing a good job, that our contributions are recognized and valued, and that we matter.

This conclusion was underscored during our executive interviews with comments, such as:

- “Pay doesn’t impact what I do. Pay just validates my performance – that my decisions have worked out.”
- “Once I realized that I didn’t need any more money, pay simply became a scorecard.”
- “People don’t have honest discussions during performance reviews. Pay is the clearest expression of what the Board thinks of me and how I’m valued.”

Relative pay is all that matters: We live in a relative world, not an absolute world. And, consistent with its role as a scorecard, executives viewed pay largely in relative terms. While each executive acknowledged that they were highly paid in absolute terms, none of the executives seemed to focus on absolute pay. Rather, most executives explained that it was important that they were paid fairly relative to peers in other companies. One CEO aptly and succinctly explained the situation this way:

“We all define ourselves based on someone else. The idiocy, circularity, and dysfunctionality of relativism. Why do we do this? To feel superior?”

Academics agree that perceptions of self-worth and fairness are based on comparisons to either:

- *Others around us.* We define our own sense of attractiveness, intelligence, and wealth based on comparisons to others around us. People often wonder if others are prettier, smarter, or better paid. Such interpersonal comparisons form the basis of Leon Festinger’s Social Comparison Theory.
- *Ourselves and our most recent experience.* Often, people will consider their bonus to be “good” only if it increased from the prior year. In Harry Helson’s Adaptation Level Theory, reference points for subjective judgements – such as our own pay – are determined by the individual’s prior experience.

Are you well paid? Your answer will likely depend on how much you’re paid relative to your friends, family, or colleagues, or by how much your bonus increased over the prior year. The absolute amount doesn’t matter as much as the relative amount.

III. What Does This Mean for Me? How Can I Engage My Top Talent?

In the same way that you want to be happy, fulfilled, and valued in your work, so too do your subordinates.

Input from the executives and academics point to the way to achieving those goals.

Create a Great Work Environment: If you want to attract and retain the best people, you need to create a work environment that can’t be found elsewhere. If you provide your top performers with a great place to work, they won’t want to work anywhere else. How can you provide that environment?

From the executives:

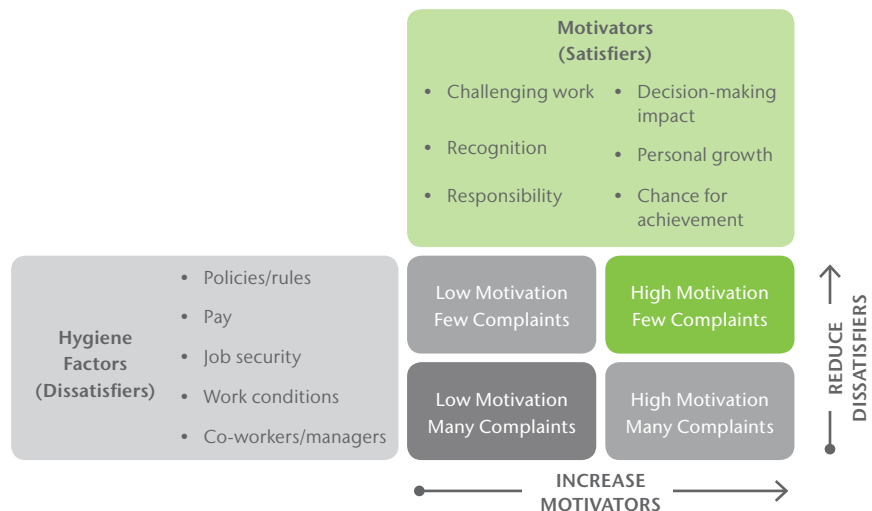
- “Let top performers know that they have a voice.” Referring back to the earlier message about impact, people want to know that they can make a difference and that their input counts.
- “Surround them with the best talent.” Winners want to be on winning teams. It takes a lot of work and discipline, but organizations should nurture the winners and, with grace, move out the under-performers.

- “Take away the pain points.” Eliminate bureaucracy and policies that don’t add value. In the quest to save dimes, don’t risk disenfranchising or distracting your top performers. Make their lives easy.

Frederick Herzberg’s Two-Factor Theory aligns with the executives’ views. In particular, Herzberg posits that employee engagement and motivation are optimized when management simultaneously:

- Reduces the effect of hygiene factors or demotivators – things like pay and policies that are more likely to annoy or disenfranchise employees, rather than make them satisfied.
- Increases the motivators or satisfiers – things that promote personal growth and include not just challenging work and recognition, but also the types of catalysts discussed earlier.

Frederick Herzberg’s Two-Factor Theory



Get Pay Right: For managers, it’s critical to get pay right – which is especially important if, from Herzberg’s perspective, your pay decisions are more likely to have a negative (or at best neutral) impact on employee motivation.

How can you get pay right? The CEOs counselled that:

- “Ensure that pay is considered fair. Don’t mess up relative pay.” These points are central to the writings of Festinger and Helson.
- “The stick can work, but it has less power as people become more successful.” If people don’t have economic needs, don’t give them reasons not to work.
- “You can’t buy loyalty.” Money does not buy commitment.

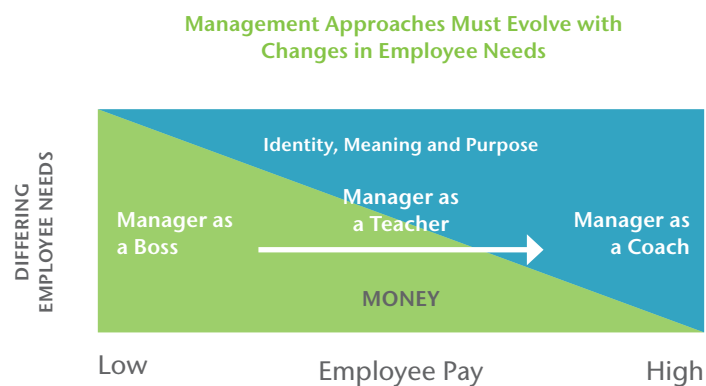
Build Relationships and Trust: In the relationship between top talent and managers, it's interesting to consider who exists to serve who.

In focusing on such relationships, the CEOs explained that:

- “Be deliberate in letting top performers know that you’re on their side.” Understand the challenges that your employees face. Ensure that they know that you want them to succeed. Work to eliminate any barriers that are in their way.
- “Understand what drives people by developing and nurturing personal relationships.” Each employee is motivated by a different set of rewards: pay, work-related flexibility, recognition, etc. By learning what drives each of your employees, you’ll be able to deliver the optimal mix of rewards – a custom-blended cocktail of benefits that drives engagement and performance.
- “Create an environment where people will like and respect you.” You don’t have to be considered their friend, but to build trust, your employees need to like and respect you.
- “Communicate frequently and honestly and deliver on your promises.” Manage and satisfy expectations.

Recognize that Your Role Must Evolve with Employee Needs: While it may be easy to conclude that the messages contained in this paper only apply to executives, it’s important to consider that:

- These conclusions apply to employees at all levels and to all manager-subordinate relationships.
- All employees – from the lowest paid to the highest paid – have economic/pay needs and needs for identity, meaning, and purpose. But the relative importance of these two sets of needs shift along the wage continuum.
- Your role as a manager needs to evolve in line with your employees’ changing needs – from a boss, to a teacher and ultimately to a coach.



Conclusion:

People work for money. That's an obvious, superficial, and simplified, conclusion. More critically, people also work to satisfy deeply personal needs related to impact, duty to others, enjoyment, and identity. Work is a vehicle that allows each of us to reaffirm that we make a difference – that we matter.

To get the most out of your people, you need to recognize and act on this. You need to develop and nurture trusted personal relationships with your employees. Through those relationships, you'll be able to better understand what drives each person and, in turn, you'll be able to tailor your management approach to match each employee's highly personal and differentiated needs.

If you do this, your people will be happier and more productive and, undoubtedly, so will you.

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