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ORGANIZATION PRACTICE

Increasing the 'meaning quotient' of work

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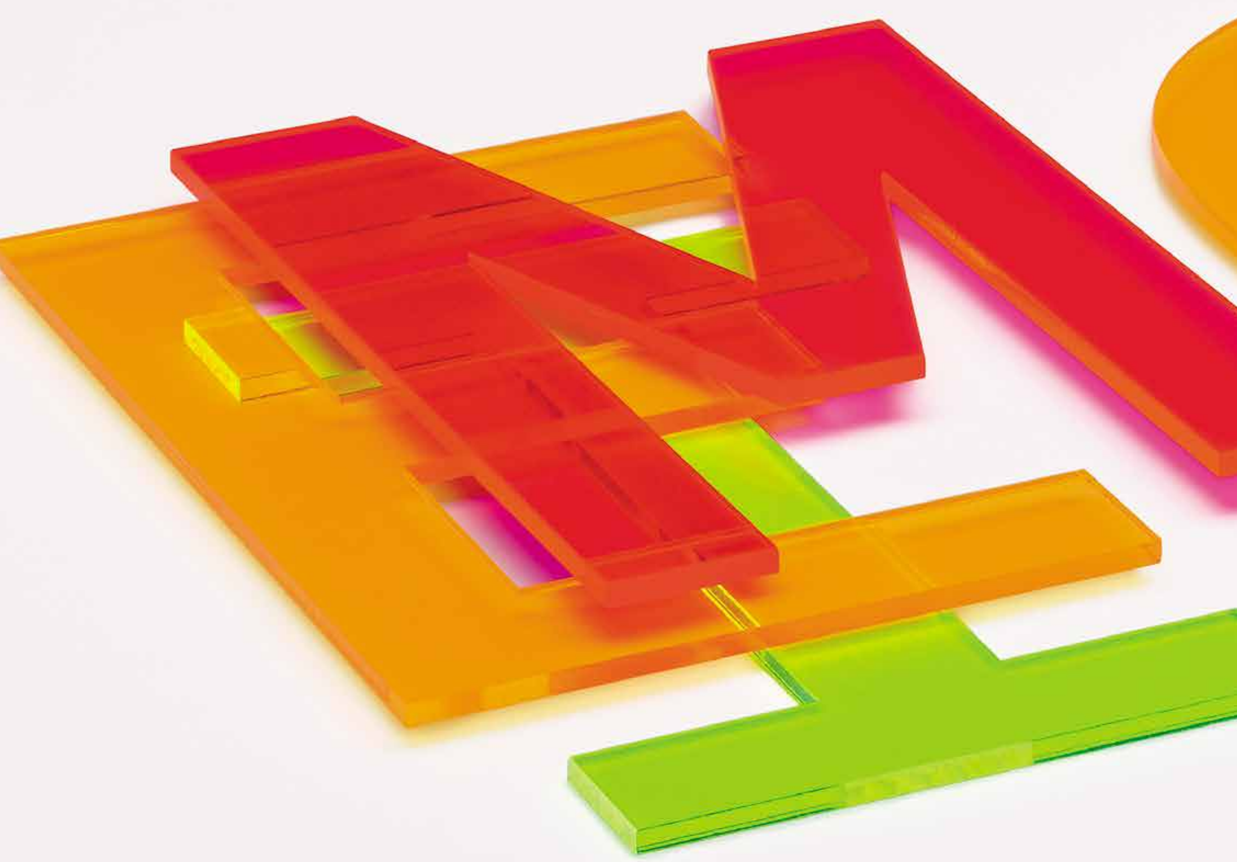
Through a few simple techniques, executives can boost workplace "MQ" and inspire employees to perform at their peak.



The problem

Executives tell us that they're struggling to create "MQ"—that sense among employees that what they do really makes a difference to themselves or to others.

Why it matters

MQ helps drive peak performance, especially in periods of intense change. Companies that actively create meaning can significantly enhance workplace productivity.

What to do about it

Don't resort to platitudes about communication, quality feedback, and empowerment. There are specific tools that really work.

For example, tell stories that demonstrate the impact of change on society, customers, working teams, and individuals—as well as on the company itself.

Allow employees, as far as practicable, to get involved in creating their own sense of direction.

Go beyond financial compensation to motivate people—small and unexpected gestures can be highly effective.

Illustration by Plural with Greg Shapps

Musicians talk about being "in the groove," sportsmen about being "in the zone." Can employees in the workplace experience similar performance peaks and, if so, what can top management do to encourage the mental state that brings them about?

We've long been interested in work environments that inspire exceptional levels of energy, increase self-confidence, and boost individual productivity. When we ask leaders about the ingredient they think is most often missing for them and for their colleagues—and by implication is most difficult to provide—they almost invariably signal the same thing: a strong sense of meaning. By "meaning," we and they imply a feeling that what's happening really matters, that what's being done has not been done before or that it will make a difference to others.

The idea of meaning at work is not new. Indeed, two contributions to *McKinsey Quarterly*[1] over the past year have highlighted this theme. In one, the authors demonstrate how misguided leaders often kill meaning in avoidable ways. The author of the other suggests that "meaning maker" is a critical role for corporate strategists. In this article, we will show from our research how meaning drives higher workplace productivity and explain what business leaders can do to create meaning.

Meaning and performance

The mental state that gives rise to great performance—in sports, business, or the arts—has been described in different ways. The psychologist Mihàly Csìkszentmihàlyi studied thousands of subjects, from sculptors to factory workers, and asked them to record their feelings at intervals throughout the working day. Csìkszentmihàlyi came up with a concept we consider helpful. He observed that people fully employing their core capabilities to meet a goal or challenge created what he called "flow." More important, he found that individuals who frequently experienced it were more productive and derived greater satisfaction from their work than those who didn't. They set goals for themselves to increase their capabilities, thereby

[1] See Teresa Amabile and Steven Kramer, "How leaders kill meaning at work," mckinseyquarterly.com, January 2012; and Cynthia A. Montgomery, "How strategists lead," mckinseyquarterly.com, July 2012.

tapping into a seemingly limitless well of energy. And they expressed a willingness to repeat those activities in which they achieved flow even if they were not being paid to do so.

Athletes describe the same feeling as being in the zone. Bill Russell, a key player for the Boston Celtics during the period when they won 11 professional-basketball championships in 13 years, put it thus: "When it happened, I could feel my play rise to a new level. . . . It would surround not only me and the other Celtics, but also the players on the other team. . . . At that special level, all sorts of odd things happened. The game would be in the white heat of competition, and yet somehow I wouldn't feel competitive. . . . I'd be putting out the maximum effort . . . and yet I never felt the pain."[2]

Flow sounds great in theory, but few business leaders have mastered the skill of generating it reliably in the workplace. An easy first step is to consider what creates flow in your own work situation—a question we have put directly to more than 5,000 executives during workshops we've conducted over the last decade. In this exercise, individuals initially think about their own personal peak performance with a team, when, in other words, they have come closest to the feelings Csìkszentmihàlyi and Russell describe. Then they pinpoint the conditions that made this level of performance possible: what in the team environment was there more or less of than usual?

The remarkably consistent answers we've received fall into three categories. The first set includes elements such as role clarity, a clear understanding of objectives, and access to the knowledge and resources needed to get the job done. These are what one might term rational elements of a flow experience or, to use a convenient shorthand, its intellectual quotient (IQ). When the IQ of a work environment is low, the energy employees bring to the workplace is misdirected and often conflicting.

Another set of answers includes factors related to the quality of the interactions among those involved. Here, respondents often mention a baseline of trust and respect, constructive conflict, a sense of humor, a general feeling that "we're in this together," and the

[2]William F. Russell, *Second Wind: The Memoirs of an Opinionated Man*, first edition, New York, NY: Random House, 1979.

corresponding ability to collaborate effectively. These create an emotionally safe environment to pursue challenging goals or, to borrow from the writings of Daniel Goleman and others, an environment with a high emotional quotient (EQ). When the EQ of a workplace is lacking, employee energy dissipates in the form of office politics, ego management, and passive-aggressive avoidance of tough issues.

While IQ and EQ are absolutely necessary to create the conditions for peak performance, they are far from sufficient. The longest list of words we have compiled from executives' answers to our peak-performance question over the last ten years has little to do with either of these categories. This third one describes the peak-performance experience as involving high stakes; excitement; a challenge; and something that the individual feels matters, will make a difference, and hasn't been done before. We describe this third category as the meaning quotient (MQ) of work. When a business environment's MQ is low, employees put less energy into their work and see it as "just a job" that gives them little more than a paycheck.

The opportunity cost of the missing meaning is enormous. When we ask executives during the peak-performance exercise how much more productive they were at their peak than they were on average, for example, we get a range of answers, but the most common at senior levels is an increase of five times. Most report that they and their employees are in the zone at work less than 10 percent of the time, though some claim to experience these feelings as much as 50 percent of it. If employees working in a high-IQ, high-EQ, and high-MQ environment are five times more productive at their peak than they are on average, consider what even a relatively modest 20-percentage-point increase in peak time would yield in overall work-place productivity—it would almost double.

What's more, when we ask executives to locate the bottlenecks to peak performance in their organizations, more than 90 percent choose MQ-related issues. They point out that much of the IQ tool kit is readily observable and central to what's taught in business schools. The EQ tool kit, while "softer," is now relatively well understood following Goleman's popularization of the concept in the mid-1990s. The MQ tool kit is different.

What to do differently

Business leaders, we know from other sources, are striving hard to find the missing MQ ingredients so they can improve motivation and workforce productivity. Late last year, for example, a survey (conducted by The Conference Board and McKinsey) of more than 500 US-based HR executives identified employee engagement as one of the top five critical human-capital priorities facing organizations.[3]

Management thinkers are also on the case. Gary Hamel urges modern managers to see themselves as "entrepreneurs of meaning." In *The Progress Principle*, Harvard Business School professor Teresa Amabile and her coauthor Steve Kramer present rigorous field research highlighting the enormous benefits that a sense of forward momentum can have for employees' "inner work life."[4] Csìkszentmihàlyi writes extensively about "the making of meaning" in his book *Good Business*.[5]

In our experience, though, there's often a disconnect between the desire of practitioners to create meaning in the workplace, the good ideas emerging from cutting-edge research, and the number of specific, practical, and reliable tools that leaders know how to use. Often, platitudes about communication, quality feedback, job flexibility, and empowerment are used as substitutes for such tools. Much of this amounts to little more than advice about how to be a good manager. Inspirational visions, along the lines of Walt Disney's "make people happy" or Google's "organize the world's information," have little relevance if you produce ball bearings or garage doors.

In McKinsey's research, we've uncovered a set of specific, actionable techniques underpinned both by experience and a significant body of social-science work. The full tool kit can be found in *Beyond*

[3] See *False Summit: The State of Human Capital 2012*, October 2012, a joint report from The Conference Board and McKinsey.

[4] See Teresa Amabile and Steven Kramer, *The Progress Principle: Using Small Wins to Ignite Joy, Engagement, and Creativity at Work*, first edition, Boston, MA: Harvard Business School Publishing, 2011.

[5] See Mihàly Csìkszentmihàlyi, *Good Business: Leadership, Flow, and the Making of Meaning*, first edition, New York, NY: Viking, 2003.

Performance: How Great Organizations Build Ultimate Competitive Advantage.[6] The three examples described here are not only among the most counterintuitive (and therefore the most often overlooked) but also the most powerful.

Strategy #1: Tell five stories at once

We typically see organizational leaders tell two types of stories to inspire their teams. The first, the turnaround story, runs along the lines of "We're performing below industry standard and must change dramatically to survive—incremental change is not sufficient to attract investors to our underperforming company." The second, the good-to-great story, goes something like this: "We are capable of far more, given our assets, market position, skills, and loyal staff, and can become the undisputed leader in our industry for the foreseeable future."

The problem with both approaches is that the story centers on the company, and that will inspire some but by no means all employees. Our research shows that four other sources give individuals a sense of meaning, including their ability to have an impact on

- society—for example, making a better society, building the community, or stewarding resources
- the customer—for instance, making life easier and providing a superior service or product
- the working team—for instance, a sense of belonging, a caring environment, or working together efficiently and effectively
- themselves—examples include personal development, a higher paycheck or bonus, and a sense of empowerment

Surveys of hundreds of thousands of employees show that the split in most companies—regardless of management level, industry sector, or geography (developed or developing economies)—is roughly equal. It appears that these five sources are a universal human phenomenon.

[6] Scott Keller and Colin Price, *Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage*, first edition, Hoboken, NJ: John Wiley & Sons, 2011.

A turnaround or a good-to-great story will strike a motivational chord with only 20 percent of the workforce. The same goes for a 'change the world' vision or appeals to individuals on a personal level.

The implication for leaders seeking to create high-MQ environments is that a turnaround or a good-to-great story will strike a motivational chord with only 20 percent of the workforce. The same goes for a "change the world" vision like those of Disney and Google or appeals to individuals on a personal level. The way to unleash MQ-related organizational energy is to tell all five stories at once.

A recent cost-reduction program at a large US financial-services company began with a rational-change story focused on the facts: expenses were growing faster than revenues. Three months into the program, it was clear that employee resistance was stymieing progress. The management team therefore worked together to recast the story to include elements related to society (more affordable housing), customers (increased simplicity and flexibility, fewer errors, more competitive prices), working teams (less duplication, more delegation, increased accountability, a faster pace), and individuals (bigger and more attractive jobs, a once-in-a-career opportunity to build turnaround skills, a great opportunity to "make your own" institution). The program was still *what* it was—a cost-reduction program—but the reasons it mattered were cast in far more meaningful terms.

Within a month, the share of employees reporting that they were motivated to drive the change program forward jumped to 57 percent, from 35 percent, according to the company's employee-morale pulse surveys. The program went on to exceed initial expectations, raising efficiency by 10 percent in the first year.

Strategy #2: Let employees 'write their own lottery ticket'

The first strategy gives specific and practical guidance about how to *tell* the story. Yet the best meaning makers spend more time *asking* than telling.

In one of Daniel Kahneman's famous experiments, researchers ran a lottery with a twist. Half of the participants were randomly assigned a lottery ticket. The remaining half were given a blank piece of paper and asked to write down any number they pleased. Just before drawing the winning number, the researchers offered to buy back the tickets from their holders. The question they wanted to answer was how much more would you have to pay people who "wrote their own number" than people who received a number randomly. The rational answer should be no difference at all, since a lottery is pure chance, and therefore every ticket number, chosen or assigned, has the same odds of winning. A completely rational actor might even want to pay less for a freely chosen number, given the possibility of duplicate ones. The actual answer? Regardless of geography or demographics, researchers found they had to pay at least five times more to those who chose their own number.

This result reveals a truth about human nature: when we choose for ourselves, we are far more committed to the outcome—by a factor of at least five to one.

In business, of course, leaders can't just let everyone decide their own direction. But they can still apply the lessons of the lottery-ticket experiment. The head of financial services at one global bank we know first wrote down his change story, shared it with his team for feedback, and then in effect asked all individual team members to write their own lottery ticket: what change story, in each of the businesses, supported the wider message? His team members in turn wrote change stories, shared them with *their* teams, and the process continued all the way to the front line. Although this method took far longer than the traditional road-show approach, the return on commitment to the program was considered well worth the investment and an important reason the bank achieved roughly two times its revenue-per-banker-improvement targets.

Likewise, when Neville Isdell took charge at Coca-Cola, in 2004, he cocreated a turnaround strategy by bringing together his top 150 employees for three multiday "real work" sessions. The process was then cascaded further down into the organization, at small working meetings where participants could in effect write their own lottery ticket about the implications for their particular parts of the business. With hindsight, this process of creating and interactively cascading what became known as The Manifesto for Growth is seen as a pivotal intervention in a two-year turnaround in which the group stopped destroying shareholder value and generated returns of 20 percent, driven by volume increases equivalent to selling an extra 105 million bottles of Coke a day. In this period, staff turnover fell by 25 percent, and the company reported what external researchers called unprecedented increases in employee engagement for an organization of this size.

Leaders who need to give their employees more of a sense of direction can still leverage the lottery-ticket insight by augmenting their telling of the story with asking about the story. David Farr, chairman and CEO of Emerson Electric, for example, is known for asking virtually everyone he encounters in the organization four questions: (1) how do you make a difference? (testing for alignment with the company's direction); (2) what improvement idea are you working on? (emphasizing continuous improvement); (3) when did you last get coaching from your boss? (emphasizing the importance of people

development); and (4) who is the enemy? (emphasizing the importance of "One Emerson" and no silos, as well as directing the staff's energy toward the external threat). The motivational effect of this approach has been widely noted by Emerson employees.

Strategy #3: Use small, unexpected rewards to motivate

US author Upton Sinclair once wrote, "It is difficult to get a man to understand something when his salary depends upon his not understanding it." The flip side, however, isn't true. When business objectives are linked to compensation, the motivation to drive for results is rarely enhanced meaningfully.

The reason is as practical as psychological. Most annual-compensation plans of executives are so full of key performance indicators that the weighting of any one objective becomes largely meaningless in the grand scheme of things. Furthermore, most compensation plans typically emphasize financial metrics whose results depend on myriad variables, many beyond individual control. On top of that, most companies don't have deep enough pockets to make compensation a significant driver of MQ in the workplace.

Leaders of organizations that successfully instill meaning understand the power of other methods. Terry Burnham and Jay Phelan's book, *Mean Genes*,[7] describes an experiment in which 50 percent of a group of people using a photocopier found a dime in the coin-return slot. When all were asked to rate their satisfaction level, those who got the dime scored an average of 6.5 on a scale of 1 to 7, while those who didn't scored just 5.6. The lesson here is that when we aren't expecting a reward, even a small one can have a disproportionate effect on our state of mind. And that's also true of employees in the workplace.

At ANZ Bank, John McFarlane gave all employees a bottle of champagne for Christmas, with a card thanking them for their work on a major change program. The CEO of Wells Fargo, John Stumpf,

[7] Terry Burnham and Jay Phelan, *Mean Genes: From Sex to Money to Food: Taming Our Primal Instincts*, first edition, New York, NY: Perseus Publishing, 2000.

marked the first anniversary of its change program by sending out personal thank-you notes to all the employees who had been involved, with specific messages related to the impact of their individual work. Indra Nooyi, CEO of PepsiCo, sends the spouses of her top team handwritten thank-you letters. After seeing the impact of her own success on her mother during a visit to India, she began sending letters to the parents of her top team, too.

Some managers might dismiss these as token gestures—but employees often tell us that the resulting boost in motivation and in connection to the leader and the company can last for months if not years. As Sam Walton, founder of Wal-Mart Stores, put it, "Nothing else can quite substitute for a few well-chosen, well-timed, sincere words of praise. They're absolutely free—and worth a fortune."

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Of the three *Q*s that characterize a workplace likely to generate flow and inspire peak performance, we frequently hear from business leaders that MQ is the hardest to get right. Given the size of the prize for injecting meaning into people's work lives, taking the time to implement strategies of the kind described here is surely among the most important investments a leader can make.

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