From Extrinsic to Intrinsic: Transitioning Your Organization's Motivation Strategy

Consulting Solutions - Yvonne Kinney
115 followers

April 24, 2025

Business leaders face a persistent challenge: how to keep employees engaged, productive, and committed to organizational success. Traditional approaches have often relied heavily on extrinsic motivators like bonuses, promotions, and other tangible rewards.

While these tools have their place, research consistently shows they're insufficient for creating sustained engagement. In fact, they may even undermine the deeper, more powerful intrinsic motivators that drive long-term performance and satisfaction.

To make a true impact on our employees, a fundamental shift in our understanding of motivation is necessary. In this article series, we explore the science behind this insight and share practical steps for transitioning your organization's motivation strategy from primarily extrinsic to a more balanced approach that harnesses the power of intrinsic motivation.

Understanding Extrinsic vs. Intrinsic Motivation: The Research

How exactly do these two types of motivation differ? Let's look at their definitions first (Ryan & Deci, 2000):

- **Extrinsic motivation** refers to performing an activity to attain an external reward or outcome. This type of motivation comes from outside the individual in the form of tangible incentives (like bonuses or promotions) or avoidance of negative consequences (like penalties or criticism).
- **Intrinsic motivation** comes from within the individual and refers to engaging in an activity because it is inherently satisfying, interesting, or enjoyable. Intrinsic motivation is driven by internal rewards such as personal growth, meaning, and the satisfaction derived from the work itself.

The Limitations of Extrinsic Motivation

Extrinsic motivation relies on external rewards or pressures to drive behavior. Some common examples include:

- Financial incentives (bonuses, raises, commissions)
- Promotions and titles
- Recognition programs
- Perks and benefits
- Deadlines and penalties

While these tools seem intuitive by rewarding the behavior you want to see, research suggests they have significant limitations:

- Kahneman and Deaton's (2010) groundbreaking Princeton study found that happiness and emotional well-being increase with income only up to about $75,000 per year, after which additional compensation has diminishing returns on satisfaction.
- Herzberg's (1964) Two-Factor Theory, first proposed in 1964 but still highly relevant, identifies factors like salary and job security as "hygiene factors" instead of true motivators — elements that must be present to prevent dissatisfaction, but that don't create lasting motivation.
- Frey and Jegen's (2000) research on the "crowding-out effect" suggests that external rewards can actually undermine intrinsic motivation. When employees become too focused on monetary rewards, their internal drive to do meaningful work diminishes.

The Power of Intrinsic Motivation

Intrinsic motivation comes from within and encompasses the personal satisfaction, fulfillment, or enjoyment an individual derives from the work itself. Daniel Pink, in his influential book ***Drive: The Surprising Truth about What Motivates Us*** (2009), identifies three core elements of intrinsic motivation:

1. **Autonomy:** The desire to direct our own lives and work
2. **Mastery:** The urge to improve, develop skills, and make progress
3. **Purpose:** The need to contribute to something larger than ourselves

Research demonstrates that intrinsic motivation creates deeper, more sustainable engagement than extrinsic rewards alone:

- Companies with a strong sense of purpose outperform the stock market by 42%, according (Development Dimensions International, 2018).
- Organizations with high psychological safety — where employees feel secure enough to take risks and be themselves — experience a 27% reduction in turnover and a 12% increase in productivity (Herway, 2017).

As the data shows, the importance of intrinsic motivation cannot be overlooked. But extrinsic motivation can still play a role in engaging employees as well. It all comes down to how well you balance the two. In our next article, we will share practical steps for fostering both intrinsic and extrinsic motivation among your team.

References

Development Dimensions International, The Conference Board, & EYGM Limited. (2018). *Global leadership forecast 2018: 25 research insights to fuel your people strategy*. Development Dimensions International. https://www.ddiworld.com/glf2018

Frey, B., & Jegen, R. (2000). Motivation Crowding Theory: A Survey of Empirical Evidence. *J Econ Surv. 15*. https://doi.org/10.2139/ssrn.203330.

Herway, J. (2017, Dec. 7). How to Create a Culture of Psychological Safety. *Gallup Workplace*. https://www.gallup.com/workplace/236198/create-culture-psychological-safety.aspx

Herzberg, F. (January–February 1964). The Motivation-Hygiene Concept and Problems of Manpower. *Personnel Administration, 27*, 3–7.

Kahneman, D., & Deaton, A. (2010). High income improves evaluation of life but not emotional well-being. *Proceedings of the National Academy of Sciences of the United States of America, 107*(38), 16489–16493. https://doi.org/10.1073/pnas.1011492107

Pink, D. H. (2009). *Drive: The surprising truth about what motivates us*. Riverhead Books.

Ryan, R. M., & Deci, E. L. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development, and well-being. *American Psychologist, 55*(1), 68–78.