



ATTRACTING THE RIGHT TALENT ISN'T JUST ABOUT THE MONEY

WHY MUST WE REIMAGINE EMPLOYEE COMPENSATION, FROM
CONTRACTORS TO BOARD MEMBERS

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It appears that companies operate in two economic realities. In the battle for talent, organizations sometimes feel they have little choice but to make the highest bid to attract the best candidates. It's not only in professional sports that superstars regularly command an outsized salary; Think Michael Jordan's one-season contract for [USD \\$33.1 million](#) in 1997-1998 or Lionel Messi's and Cristiano Ronaldo's upwards of USD \$70 million a-piece in earnings last year. Computer scientists in Silicon Valley can also engender some serious envy. Such is the demand for data wizards that Google had to build a London headquarters to be close to DeepMind, a machine learning startup it purchased back in 2014. The newly acquired employees refused to move elsewhere. Peter Lee, head of Microsoft Research, has said some tech experts can easily reach the same types of [seven-figure salaries as some first-year NFL quarterbacks](#).

And yet, people seem capable of achieving great things even when being paid far less. NASA—the National Aeronautics and Space Administration—has struggled for years to develop an algorithm to predict solar flares: powerful bursts of radiation that throw space missions and their crews into turmoil, disturbing GPS, satellite, and other radio systems. In 2009, when NASA partnered with InnoCentive, a crowdsourcing company focused on scientific problems, over 2,800 minds from more than 80 countries worked for months on end for free to solve the solar flare dilemma in a challenge open to experts from the general public. The solution eventually came from a semi-retired radio frequency engineer living in New Hampshire, who developed a model that predicted the flares up to eight hours in advance with an 85% accuracy rate, well beyond NASA's wildest dreams. He was subsequently rewarded for his groundbreaking insight with a modest USD \$30,000. Imagine that in the world of management consulting.

Or think about China's largest mobile phone producer, Xiaomi. For CEO Lei Jun, Xiaomi's success lies in its ability to tap into its “hardcore fans”—advanced users—to generate word-of-mouth marketing. Every week, the firm released a new version of its operating system that it co-developed with super users, responding to their feedback via the internet and online forums, a feature that resonated especially with young Chinese. The outsourcing of design and features to an online fan base lowered the cost of software development and kept its customers excited. [“When Apple develops its iOS 7, you have no idea what they will do with it before the release. It's not like that for us. ...Xiaomi is not selling a product, but an opportunity to participate.”](#) said Lei in an interview. [“Every user becomes your R&D, every user becomes your sales, every user becomes your friend, that's the company we want to make.”](#) What the HR managers at Microsoft think of Xiaomi's approach is anyone's guess.

This all boils down to the fact that people are not economic calculators trying to maximize monetary rewards at every turn. We get confused by the [price distortion in labor markets](#) and then conclude that we must to pay people through the roof. (The top three highest paid bankers, Jamie Dimon, James Gorman and Lloyd Blankfein all [were paid more than USD \\$20 million](#) in 2014.) Research by numerous economists repeatedly suggests that monetary incentives can backfire. Offering incentives for giving blood, for example, can turn off people who want to give just for the sake of giving. [Research sponsored by the Federal Reserve Bank](#), the bastion of the free market economy, also shows that performance-related pay (incentives) works for purely mechanical tasks, but as soon as cognitive skills are required, even at a rudimentary level, incentives lead to poorer performance. That inconvenient finding of course would cast any CEO's work in an interesting light.

Taking this into account, more than ever, business executives must reexamine the kind of motivational tools used in the workplace.

- 1) Do employees see a sense of purpose in their work?
- 2) Do they feel a sense of social recognition and pride beyond monetary reward?
- 3) Does the workplace forge a sense of community and belonging?

Failing to take these non-monetary elements into consideration can mean that many employers are aren't attracting the right people, or worse, paying way more than they need to keep the wrong crew aboard.

So it isn't just about the money; Meaning can go a long way in building the right team.

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