



Creating meaning: A pillar of the CEO mandate

Being a ‘meaning-maker’ is one of the most important — and least understood — tasks of a CEO.

A critical element of the chief executive officer’s (CEO’s) mandate involves communicating an inspiring objective that is meaningful to people: one that goes beyond a narrow profit-based focus to give employees a larger sense of purpose. With this idea in mind, what are the specific ways in which CEOs can craft a compelling objective for their employees and create meaning for them at the workplace?

The importance of meaning in driving human motivation is not new. Viktor Frankl, a psychiatrist and concentration camp survivor, was held captive in several camps where he was able to closely observe the behaviour of prisoners and their captors. He noticed that the people who were most likely to survive the camps were not the fittest, youngest or strongest. Remarkably, it was those who had found some meaning in life—a larger purpose they could look forward to— who had the will to carry on.

In a somewhat similar vein, recent research demonstrates that in the business world too, an inspiring objective can motivate people to perform at substantially better levels. McKinsey’s work with more than 5,000 senior executives over the past decade provides extensive insight into the underlying factors that drive “peak performance”. The responses are remarkably consistent and could be categorized into three broad groups: IQ, or intellectual quotient, comprising rational elements such as clear targets, strong processes and measurement; EQ, or emotional quotient, comprising social elements such as coaching

and collaboration; and MQ, or meaning quotient, comprising passion, excitement and the inspiration derived from working for a larger purpose. The research shows that if CEOs could create high MQ environments, their executives would operate more frequently at peak performance—when productivity is five times greater than normal.

However, while MQ is rated by executives as being the most important contributor to performance, it is also, unfortunately, the area where most organizations fall short. Many CEOs regard “meaning” as developing a vision within the top team and communicating it downwards through the organization. This is not always an effective approach as it fails to address the individual and experiential factors that motivate people. Some CEOs are unclear about the specific steps they need to take to increase MQ among their employees. They often experience a disconnect between their desire to create meaning in the workplace, the cutting-edge ideas that academic research offers, and the availability of practical and reliable tools to execute those ideas.

Here are four ways in which CEOs can help people find deeper meaning in the workplace and enable them to perform at their best:

1. Encourage leaders in the organization to “write their own lottery ticket”

Nobel Prize winning psychologist Daniel Kahneman ran an experiment that demonstrated the power of ownership in driving commitment. Half the people in a group were given a lottery ticket each at random,

while the other half were allowed to choose their own ticket. Before the draw, the researchers offered to buy back the tickets and asked each participant what price they would be willing to sell it at. The rational response would have been a uniform price since every ticket had the same probability of winning. Interestingly, it turned out that those who chose their own ticket demanded a price five times more than the others. The experiment showed that when people were able to make a choice for themselves they were far more committed, by a factor of five, to the outcome.

These findings have wide-ranging implications for organizations. For example, when employees are given the opportunity to develop their own job description or set their own targets, there is a much greater sense of ownership and, therefore, a greater probability of the targets being achieved. When people make a commitment, it does not arise from the actual choice, but from the larger freedom of being able to choose.

The vision exercise held at a large Indian public sector bank some years ago resulted in creating just such a powerful sense of ownership.

The managing director (MD) asked every single branch manager—in a network running into thousands of branches—to spend a week brainstorming with their staff on the potential vision for the bank, and relaying the results to the headquarters. When the corporate vision was finally unveiled, each individual participant felt they had contributed in some way to the final product. As the MD later recounted, “The vision exercise connected people and provided meaning. This was central to the success of the company’s turnaround.”

2. Tell multiple stories that address diverse motivations

Most CEOs attempt to energize their people by focusing on the company’s performance in relation to its competitors. The problem with this approach is that it assumes that all employees are uniformly motivated by the performance of the organization.

McKinsey’s interactions with executives shows, however, that people derive meaning from four other equally important sources: society (building a better society, community or nation); the customer (providing superior products and services); the team (sharing a sense of belonging, working effectively as a group); and themselves (experiencing personal development, career growth).

Regardless of geography or sector, what provides meaning to people is split equally across these five dimensions. The implication is that a message that focuses on only one of these dimensions will motivate only 20 percent of the workforce. The task of the CEO then is to craft a message that tells five stories at once.

The example of a local consumer durables company illustrates this finding. Driven by severe margin pressure, it undertook an ambitious cost-reduction programme. However, the company’s attempt to frame the initiative in the context of its struggling market position made little impact within the organization.

The company then re-launched the initiative with one major change—it recast the story to include elements that resonated with the employees such as the benefit to society at large (by enabling more affordable products), to customers (by providing them with increased choice), to the working teams (by enabling greater efficiency), and to individuals (by allowing them the opportunity to build new skills and shape the institution). So while the programme retained its original objectives, the outcomes were framed in more meaningful contexts. Within a month, employee acceptance of the programme jumped 25 percent and the programme exceeded expectations by raising efficiency by 15 percent in one year.

3. Calibrate levels of skill and challenge for individuals

Professor Mihaly Csikszentmihalyi, a well-known authority on happiness and creativity, notes that finding the right match between an individual’s skill level and the degree of challenge is a crucial element in generating meaning. An imbalance on

this front invariably leads to sub-optimal results. For example, pairing a low-skilled person with a high challenge causes anxiety; pairing a highly skilled person with a low challenge results in boredom; while coupling a low-skilled person with a low challenge leads to apathy.

In order to prevent this mismatch and enhance the commitment of employees, the CEO of a large international engineering and construction company structured a multi-year programme that systematically balanced skill and challenge levels for 300 senior leaders. The goal was to create a personally-inspiring development path that would lead to greater commitment to project delivery. Each leader was asked to choose one project in keeping with the level of challenge that stimulated and excited them: for example, one business-unit leader committed his team to developing new orders with a key client and to working on a new contract that would span more than one of the group's business lines. These projects were based on stretching individuals to the edge of their recognized abilities—in this case, by overcoming inhibitions in dealing with senior clients. The result of this exercise was the creation of a large number of newly-energized leaders, who pushed themselves well beyond the previous limits of their performance.

4. Offer appreciation through personal gestures

Linking business objectives with purely financial compensation does not always result in generating

better performance from the individual. Part of the problem with this linkage is that employee performance depends on a multitude of variables—many of which are beyond the individual's control. Further, many organizations simply do not have the financial muscle to make compensation the sole driver of better performance.

The good news, however, is that people respond positively, and disproportionately, to small and personal gestures of appreciation from their leaders. When there is no expectation of reward, even a small act of recognition can have a disproportionately large impact. A few years ago, the CEO of a large financial services company gave all employees a bottle of champagne accompanied by a handwritten card, thanking them for their contribution to the company. Similarly, the CEO of a large food and beverage company, on occasions, sends handwritten thank-you notes to the spouses of the top team. While the idea of offering appreciation is simple, the impact in terms of meaning and motivation for the employee can be profound.

Given the link between meaning and peak performance, it is clear that being a “meaning-maker” is one of the most important—and least understood—tasks of a CEO. There is great potential for enjoying significant gains in productivity by providing meaning to employees.

Taking the time to implement some of these ideas is one of the most important investments a CEO can make.

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