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Perspective: The Incentive Reset

Last month, we argued that AI is the Great Compressor. It narrows skill differences by standardizing routine cognitive tasks. But compression does not stop at skills. AI also compresses performance: it makes satisfactory output far easier to achieve than excellence. When *good enough* becomes effortless, the economics of motivation change.

Consider a consulting analyst. Before AI, producing a credible market report took days of research, synthesis, and drafting. These efforts are visible and hard to fake. With AI, a passable version takes an afternoon. The analyst still has the same title and the same performance target. But the personal cost of meeting that target has collapsed.

That may look like a productivity gain. But it also creates an incentive problem. Many compensation systems were designed for a world in which satisfactory output still required meaningful exertion. AI breaks that link. When “good enough” becomes cheap, observed performance no longer separates effort from coasting. And so, rationally, employees settle. They use AI to make their lives easier, stop at the first passable draft, and redirect the freed-up energy elsewhere. Ambition fades, follow-through weakens, and “good enough” quietly becomes the ceiling rather than the floor.

The firm now faces a choice. If your goal is excellence—judgment under ambiguity, follow-through when the AI draft falls short—then raise the share of pay tied to outcomes AI cannot replicate, and accept that motivating excellence has become more expensive. If a role only requires adequate output, lower the pay, widen the span, and match the reward to what the job actually demands now.

This is not only a question for individual firms. Firms that drift into the muddle—high wages, low expectations—eventually cut back. That means fewer good jobs in the market. Workers have less to aspire to and less reason to strive. They settle, disengage, and “lie flat”. It is not laziness. It is what a bad-job economy looks like from below. And the cycle reinforces itself: the more firms offer bad jobs, the harder it becomes for any single firm to sustain a culture of excellence.

Employees are already adopting AI from below. AI has changed what effort costs. It is time to change what effort pays.



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