— Fall, 2018 —

THE IRF QUARTERLY ACADEMIC REVIEW

FOR INCENTIVE, REWARD & RECOGNITION PROFESSIONALS

Volume 1, Number 3

IMPROVING PRACTICE & APPLICATION

CONTENTS

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FROM THE EDITOR, ALLAN SCHWEYER

The first two issues of the *IRF Academic Quarterly* focused almost exclusively on milestone studies into the old cash vs. non-cash reward debate. I hope this left you with no doubt as to why 86 percent of U.S. firms now use some form of non-cash reward — up from less than a quarter just a few decades ago.

But it's no coincidence that organizations more than tripled their use of non-cash rewards during a simultaneous and profound shift in the economy and workplace. They did so because non-cash rewards, in general, generate more effort and higher performance than cash rewards from workers in non-routine, and/or creative jobs — work that now constitutes the majority in advanced economies.

It's useful to know that non-cash rewards should be an important part of any organization's total reward strategy but there's much more to the story. We're still left with big questions, such as which non-cash rewards to use for which people, under what circumstances. To answer those questions, we must explore the mind of the modern worker and human psychology in general.

The art of incentive design is largely about psychology — understanding those you hope to motivate. So think of this issue as the "Psychology Issue." We start with an analysis and summary of 40 years of incentive research that demonstrates the continued relevance and importance of incentives and rewards in today's "creative" economy.

Then we examine some of the basic psychological reasons non-cash rewards are most effective in motivating today's employee. From there we explore which types of non-cash rewards may engage recipients optimally. We discover the reasons experiential purchases and gifts elicit greater emotion, and, importantly, why they lead to better relationships. Relationships and collaboration, after all, are the *sine qua non* for success in today's economy; and what is a well-chosen, well-presented non-cash reward if not a gift?

RECENT & RELEVANT

Academic Research Summary: Intrinsic Motivation and Extrinsic Incentives Jointly Predict Performance: A 40-Year Meta-Analysis

Citation: This summary is based on an article by Christopher P. Cerasoli (Group for Organizational Effectiveness), Jessica M. Nicklin (U. Hartford), and Michael T. Ford (SUNY Albany). *Psychological Bulletin*, American Psychological Association. Vol. 140(4), July 2014, 980-1008.

Availability: The full text of this article is available in the journal: *Psychological Bulletin*, July 2014 (http://dx.doi.org/10.1037/a0035661). A free version can be obtained from Hartford University at: http://unotes.hartford.edu/announcements/images/2014_03_04_Cerasoli_and_Nicklin_publish_in_Psychological_Bulletin_.pdf

Introduction: As the economy and workplace completes their monumental shift from the Industrial Age to the Information Age, incentive strategies must shift as well. After all, what was designed for the assembly line, and the routine, repetitive, and uninteresting work it required, can't hope to be as effective in the cubicles and meeting rooms of the modern workforce where workers are increasingly given wide autonomy to problem-solve and innovate while performing interesting work. Indeed for some, there is no longer any place at all for incentives and rewards at work. Widespread misinterpretation of Dan Pink's 2009 blockbuster, *Drive: The Surprising Truth About What Motivates Us,* has led many to that conclusion, harming the reputation of the incentives industry in some quarters. Skeptics, beginning with Alfie Kohn in the early 1990s, argue that extrinsic rewards should never be used. Kohn and others believe that rewards replace or "crowd out" natural and superior intrinsic motivation, and/or create a vicious cycle in which more and better rewards are constantly needed to maintain employee engagement and productivity. Others believe in extrinsic rewards but only to incentivize workers performing routine, repetitive work that holds little or no intrinsic interest for employees. This study looks at the effects of extrinsic rewards on repetitive work and interesting, creative work. It shatters both myths.

Summary

"Extrinsically motivated behaviors are governed by the prospect of instrumental gain and loss (e.g., incentives), whereas intrinsically motivated behaviors are engaged for their very own sake (e.g., task enjoyment) …" The big question, unanswered prior to this research, was whether extrinsic incentives can impact intrinsic motivation to result in higher performance, and if so, when and how? This is a vital question given the increasing prevalence of non-routine work referred to above. After all, even though more people perform "interesting" work today, employee engagement numbers have improved only marginally since broad measures began in the early 1990s. If extrinsic incentives do more harm than good in motivating these workers, or at best, have no impact at all, then what is left for a leader to do in order to increase her team's engagement and performance?

The authors define incentives as anything offered that is directly or indirectly tied to performance or behaviors. Cash and tangible non-cash rewards certainly qualify, but so do things like promotions, health benefits, choice of assignments, flexible work and simple praise or appreciation. The authors believe that incentives and rewards play an important role in motivating today's more creative workforce but, where a worker performs "quality" (i.e., complex, creative) versus "quantity" (routine, mindless) work, those rewards must be designed and presented differently. In other words, they believe that some extrinsic rewards can and do amplify intrinsic motivation.

To test these hypotheses, the authors conducted a meta-analysis of unprecedented scale and scope, covering almost a quarter-million individuals in over 180 journal articles, conference papers, and dissertations going back four decades. The results are summarized below:

- First, the authors determined that intrinsic motivation is more important for performance in creative work than in routine work (quality vs. quantity).
- Next, they found that the salience of incentives was critical; for example, quality work and performance are positively influenced by extrinsic rewards, but those rewards must be indirect, meaning their link to performance is implied, not explicit. The authors conclude that indirect incentives influence intrinsic motivation "to a strong degree." In other words, the subtle expectation of some form of extrinsic reward for work, such as salary, raises or promotions and bonuses, gifts, or even increased autonomy and praise, motivates creative workers, even when they are intrinsically driven by the interesting work they perform.
- Performance criteria really matter for motivation. As expected, extrinsic rewards are a more powerful motivating force for quantity-oriented tasks (i.e., where a worker performs routine, uninteresting work) than to amplify intrinsic motivation.
- On average, people who enjoy their work will perform better than those who don't but they will perform even better when indirectly incentivized with tangible and intangible rewards.

Actionable Take-Aways

- Where you aim to motivate workers performing routine, uninteresting work, use direct, performance-contingent, extrinsic incentives and promote them widely. These rewards have the psychological effect of focusing workers' concentration, where otherwise, their minds might wander.
- Where you aim to motivate workers performing non-routine, complex, and interesting work, use indirect, extrinsic incentives implicitly tied to performance; for example, these incentives should be quarterly or yearly to more subtly incentivize performance in this type of work. Contrary to popular belief, these rewards don't distract from or "crowd out" intrinsic motivation, in fact, they appear to enhance it, having the psychological effect of amplifying a person's existing interest in doing things they like to do.
- Exercise discretion in promoting extrinsic incentives for intrinsically interesting work. Make the incentives known, but let employees make their own connections. In other words, attempt to reward behavior without overly leveraging the incentive, don't attempt to use rewards to micromanage.
- Even where a task is repetitive and routine — tree planting, for example — strive to connect workers with the intrinsically rewarding components of their work; for example, the purpose behind it. The more a person connects with and likes their work, the better they tend to perform, whether the work is interesting or not.

Question & Answer with the Researchers

Q1: Do these findings suggest that incentives beyond salary, standard benefits, and annual bonuses are useful in influencing better performance in intrinsically motivated employees?

> *We see a wide variety of practical challenges in the compensation and benefits world. Generally speaking, there's been a trend moving towards pay for performance. There's nothing inherently wrong with that, provided the incentive program is tailored to the context;*

after all, positive performance should be rewarded, if it brings value to the organization. In spirit, that's what variable compensation is intended to do.

There are really two parts to the equation. The first is the assumption in this question that employees are already intrinsically motivated. We should begin by ensuring that we're doing what we can to select people who share our purpose, give them the tools they need to perform well, and most of all, craft the work to be engaging.

The second then, is how we use incentives to promote higher levels of performance without eroding engagement. Start with the assumption that people want to have the experience of doing well, meeting their goals, and "killing it" at work. If the task is very clear, or non-complex, and doesn't require a lot of individual judgment calls, then you can create a very clear incentive. People are going to get motivated when the goal posts are clear and they can get the payout. But, when the task requires a lot of creativity, has a long sales arc, involves complexity, and isn't very straightforward, attempting to use incentives to "micromanage" can have the opposite effect. In this latter case, the incentive has to be more distal to performance: enough to encourage it, but not so much that it leads to a hyper-focus that inhibits latitude in decision making.

Q2: On page 17 you say that "Theory refinement that explains why the mere presence of incentives increases the importance of intrinsic motivation to performance is certainly needed." Has this work been done since you published in 2014, and if so, what were the results? If not, what are your thoughts on the answer to this question?

A few points are helpful to make here. One of the unique contributions of this study was to show that incentives and intrinsic motivation are compatible: practitioners have known it, yet academics failed to support it. But the real important contribution here was the implications for performance. We found that intrinsic motivation predicts performance. Period. The interesting finding was that when you throw incentives into the mix, intrinsic motivation still matters. In fact, intrinsic motivation matters more to performance if you do, which struck us as somewhat counterintuitive.

To our knowledge, there hasn't been an advancement here. Such research would be challenging to perform because motivation can be complex, and is very situationally dependent. This work requires examination of dozens of studies across multiple situations and thousands of individuals: the patterns are simply too difficult to see in a simple applied study. That's not to say that a carefully designed experiment can help elucidate whether or why a particular phenomena like this might occur; it's just that collapsing across dozens of applied samples is needed to show when this actually occurs.

Nevertheless, we might speculate a few reasons. One might be "artificial": when organizations care enough to measure and drive employee engagement, chances are they are more cognizant about measuring performance the right way, thus making a clearer link between motivation and performance. Another might be some degree of overlap in goal attainment; attaining goals is both intrinsically and extrinsically satisfying, so perhaps there's more likely to be a goal to be attained when there is an incentive present. At the end of the day, there are likely many factors involved, so local discretion is important to exercise.

Q3: Was Dan Pink generally correct in his main message? In other words, didn't he say much the same — that incentives work and are necessary but should be used overtly for repetitive work and subtly for creative work?

> *Generally speaking, yes, Pink was correct in his message. The applied challenge is that there is nuance to the message which frequently gets lost. The message was that incentives create focus and persistence; that's a good thing in a lot of contexts. What this evolved into was that incentives are somehow "bad" and can't be used except in very specific situations. This is simply not true. Organizations should always incentivize the right performance behaviors; you just have to tailor the degree of incentive salience ("focus" in Pink's terms) to the performance at hand.*

More Questions?

Professors Cerasoli, Nicklin, and Ford are members of the IRF Academic Network. Please direct any additional questions to them at their email addresses below.

Christopher P. Cerasoli (Adj. P, U. Albany):

Bio & Other Research

Christopher Cerasoli is currently a Senior Talent Analytics Consultant with UnitedHealth Group, Inc., a *Fortune* 5 health care services organization based in Minneapolis, Minn. He is an experienced consultant pushing the predictive envelope for people-related business issues. He has generated award-winning research, cutting-edge analytics, and evidence-based, actionable tools for government, defense, FORTUNE 500, and currently internal clients. Christopher regularly delivers presentations, keynotes, and interviews on I/O psychology and science in the workplace. His work can be found in leading peer-reviewed empirical journals including *Psychological Bulletin, Personnel Psychology, Organizational Dynamics,* and *Human Factors*.

Jessica M. Nicklin (AP, U. Hartford): nicklin@hartford.edu

Bio | Other Research

Jessica Nicklin is currently the Associate Vice President for Student Success at the University of Hartford. She has been an Associate Professor in the Department of Psychology; the Undergraduate Director of the Psychology Department; the Director for the Online Master of Science in Organizational Psychology; and the Associate Dean for Student and Academic Services in the College of Arts and Sciences. Jessica is actively involved in University leadership and initiatives, receives top ratings for her teaching, and maintains an active research program, receiving awards and publications in top-tier journals on a regular basis. Jessica is also the recipient of the prestigious 2014 Belle K. Ribicoff Junior Faculty Prize and the 2016 Belle K. Ribicoff Endowed Professorship.

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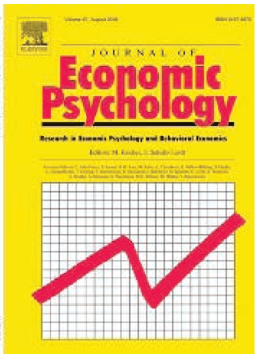
Bio & Other Research

Michael Ford is an Associate Professor of Management at the University of Alabama's Culverhouse College of Business. He conducts research on worker stress, motivation, and the employee-organization relationship from the employee's perspective. Michael also teaches courses in human resource management and organizational behavior.

MICRO REVIEW:
Academic Research Summary: Do All Material Incentives for Prosocial Activities Backfire? The Response to Cash and Non-Cash Incentives for Blood Donations



Citation: Nicola Lacetara, Case Western Reserve U. & Mario Macis, U. Michigan (2010). Do All Material Incentives for Prosocial Activities Backfire? The Response to Cash and Non-Cash Incentives for Blood Donations. *Journal of Economic Psychology.* 31 (4) 738-74.

Availability: A full version of this article is available at: www.econstor.eu/bitstream/10419/36298/1/613725344.pdf

Introduction: Previously, we learned that extrinsic, tangible, and intangible rewards of all types have a continuing and important role to play in motivating performance of today's predominantly "creative" worker. And we learned that those rewards must imply, rather than state, a link to performance and desired behavior. In other words, incentives should be subtle and indirect as opposed to direct and contingent. The previous paper includes rewards of all types in this equation: cash, non-cash tangible, and intangible non-cash. But of these, which is most effective in boosting intrinsic motivation in workers performing creative work — cash, non-cash, or simple appreciation (intangible non-cash)? This paper gives us some insight into why, aside from salaries and benefits, incentives using tangible non-cash rewards (presented appropriately) might be the most effective means to motivate workers in creative jobs and to encourage the type of prosocial (altruistic) behavior that characterizes many of today's most successful organizations.

Summary

It is reasonable to surmise that blood donors are highly intrinsically motivated. They do not expect much external reward because cash payment for blood donations has been banned in the United States since the 1970s. This was done because cash was thought to incentivize the wrong people with the wrong motives. Unfortunately, local blood supply normally operates on a precarious edge, with just a few days' supply in most cases. Thus, the authors hypothesize that intrinsic motivation, or altruism, isn't enough to ensure an adequate blood supply in most cases. They performed a randomized-controlled experiment to determine whether re-introducing cash or another type of reward might make a positive difference.

Findings

- 83% of 467 participants in the experiment (current blood donors) would continue donating if a tangible reward (10 euros or a 10 euro voucher for books or food) were offered for doing so. Thus, the vast majority of donors are not averse to receiving a material reward.
- However, 13.5% say they would quit if offered cash versus only 3.5% if offered the gift voucher. In the authors' words, this indicates "a marked aversion to cash payments." This was especially pronounced among women and older participants.

The authors conclude with this statement (our emphasis added): "We find that a feeling of gratitude and acknowledgment is rewarding for donors. Therefore, stimulating these feelings [i.e., intrinsic motivators] possibly also through material incentives as long as they are 'steps removed' from rewards too immediately identified as a form of direct ‘pay for performance’ (such as cash), might not collide with the intrinsic motivations of donors, and could potentially contribute to alleviate supply shortages of such socially relevant activities as blood donation.

Take-Away

Today’s creative worker somewhat resembles a blood donor in that they are often intrinsically motivated. But blood donors are also highly altruistic, a trait that is especially valuable in today’s workplace with its emphasis on collaboration. Tangible non-cash incentives, subtly offered, may present the best option to both enhance intrinsic motivation and encourage prosocial behaviors.

RECENT & RELEVANT

Academic Research Summary: Employee Incentive Programs: Recipient Behaviors in Points, Cash, and Gift Card Programs

Citation: Patricia A. Norberg, Quinnipiac U. (2017). *Performance Improvement Quarterly*. 29 (4) 375-388.

Availability: This article is available for purchase at *PIQ*: https://doi.org/10.1002/piq.21233 or free on request to Allan Schweyer: allans@tmlu.org

Introduction: The previous two summaries offer evidence of the continued importance of incentives and rewards in motivating today's worker. In this summary, employee psychology is explored further in relation to which type of reward (cash, point-based, or gift cards) evoke thought, greater engagement, and more discussion. These are important factors in program design. The more an employee thinks about, plans for, and talks about a reward program, the likelier they will derive satisfaction and engagement from it; and, as is proposed in the article, the more likely that employee will stay with the organization.

Summary

The many reward options, including cash and almost unlimited non-cash reward types, can make choosing the optimal reward under any given circumstance very challenging for reward program designers. After all, there is a body of research that says cash rewards drive better returns for organizations and another that argues in favor of non-cash rewards. In this study, the author hypothesizes that "reward currencies" (cash vs. points vs. cards) matter significantly in affecting recipients' perceptions and behaviors. Specifically, the author draws from theories in mental accounting and research in consumer loyalty programs to argue that some rewards generate more employee involvement and greater feelings of loyalty. As such, some reward types might lead to improved employee satisfaction, engagement, and retention.

The author relied on survey results from 747 working people to test the following hypotheses:

1. Those who receive reward points will plan for (think about) their use significantly more than recipients of cash or gift cards.
2. Those who receive reward points will talk about the rewards significantly more than recipients of cash or gift cards.
3. Those who receive reward points will be significantly more satisfied with their rewards than recipients of cash or gift cards.
4. Those who receive reward points will be significantly more able to remember how they used their reward than recipients of cash or gift cards.

Results

1. Supported: Points recipients were significantly more likely to report planning the use of their reward than were cash or gift card recipients.
2. Partially Supported: Points and gift card recipients were about equally likely to talk about their reward; significantly more than cash recipients.
3. Partially Supported: Points earners were significantly more satisfied with their rewards than gift card recipients but only about equally satisfied as cash recipients.
4. Not Supported: The great majority of recipients of all three types of rewards recalled what they did with their reward (spent to buy something vs. spent on paying a bill, or could not remember). 99% of points and gift card users could recall what they used the reward for versus 97% of cash recipients. Almost one-third of cash recipients said they spent their reward on bill payments, a choice that was not available to points earners and possible for just one of the gift card recipients in the study.

Key Findings

- Type of reward matters in the degree to which recipient employees derive satisfaction from the rewards, plan for their use, and talk about them.
- A significant portion of cash reward recipients used their reward to pay bills, a utilitarian choice that may deliver satisfaction but little enjoyment.
- Points recipients appear much more likely to plan for the use of their rewards, which, in a further regression analysis performed by the researchers, was a main driver of satisfaction with the reward.
- Points and gift card recipients are much more likely to talk about their rewards with others than are cash reward recipients. The degree of discussion about a reward also correlates with reward satisfaction, while generating wider interest in the reward program.
- Surprisingly, gift card recipients reported significantly lower satisfaction with their reward even than cash. Almost three-quarters said in using their card, they had to add money of their own.

Actionable Take-Aways

- Reward program design is important in maximizing employee satisfaction, engagement, and retention. Think about what types of rewards you use and which are likeliest to improve each of these measures.
- Extend measurement and evaluation of reward programs beyond increased sales, revenue, and market share to include intangibles like positive behavior change.
- Use rewards that are more likely to cause employees to plan for their use. Thinking about their rewards and saving points to acquire something meaningful likely increases engagement and motivation.
- Use rewards that generate discussion amongst recipients and potential reward earners. When a person talks about their reward, they create deeper, longer-lasting associations with the organization and more feelings of satisfaction with the reward. They also generate positive buzz about the reward program and the organization.
- Consider the advantages in data collection, reporting, and analysis that points-based reward programs deliver. Remember too that you can allow points to be converted into anything, including cash and gift cards.
- Consider offering higher-value gift cards, or those that are likely to cover the full cost of a recipient's purchase. When employees have to "top-up" their reward using their own cash, it may take away from their satisfaction with the reward.

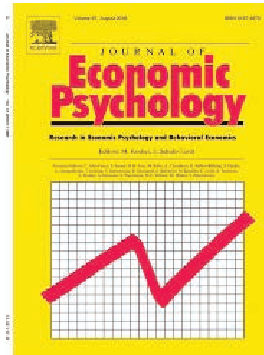
- Consider using store-specific gift cards over open or other near cash-equivalent cards. Employees are less likely to use the latter on pleasure purchases, less likely to derive satisfaction from their use, and less likely to remember what they used their reward for.

Questions?

Please email any questions you may have to the author, Professor Patricia Norberg.

Patricia Norberg (AP, Quinnipiac U.): Patricia.Norberg@quinnipiac.edu

Bio & Other Research



Academic Research Summary: Preference Reversals in Evaluations of Cash Versus Non-Cash Incentives

Citation: Victoria A. Shaffer, Wichita State U. & Hal R. Arkes, Ohio State U. (2009). *Journal of Economic Psychology*. 30 (2009) 859-872.

Availability: This article is available at: http://faculty.chicagobooth.edu/workshops/marketing/pdf/ShafferArkes.pdf

Introduction: So far in this issue, the research summarized affirms the importance of incentives and rewards in motivating today's worker, and it points to the use of non-cash incentives as the best reward in many circumstances. This summary is based on research that provides further evidence in favor of the use of non-cash rewards but differentiates between two types of non-cash rewards: "hedonic" (i.e., luxury) and "utilitarian" (i.e., for everyday, routine things) and in how reward options are "framed," or presented. This research completes another piece of the psychological puzzle we've been exploring in this issue. It captures the thought processes of subjects asked to choose between and/or rate anticipated satisfaction with cash and various non-cash rewards. The authors conclude that employees will choose cash but be more satisfied with non-cash. However, there are variances in the weight of these responses depending on the type of non-cash reward offered.

Summary

The authors hypothesize that when cash and non-cash rewards are presented together and recipients are given the choice of one or the other, they will choose cash. This is because a side-by-side comparison triggers rational thoughts of reward fungibility (i.e., flexibility in how it can be exchanged/spent), which defeats any affective (emotional) response to the non-cash option. They also hypothesize that when recipients are not given a choice, those who receive non-cash rewards will rate their anticipated satisfaction with the reward significantly higher than those who are given cash. This is due to the strong emotional (affective) response people have to non-cash rewards. The authors argue that without something to compare a cash reward to, recipients of cash will not consider its fungibility and, therefore, will not derive consequent satisfaction. Rather they will be left with, at best, a mild affective response compared to those who received a non-cash gift and will therefore report lower anticipated satisfaction.

Through a series of six experiments involving, in aggregate, almost 1,000 subjects, the authors placed participants in a variety of scenarios: First, 190 students were asked to imagine themselves in their first job after graduation, a career-track job paying a competitive $35,000/yr.

- Group A was asked to imagine receiving a cash reward of net $1,500 in value.
- Group B, a choice between 5 hedonic (merchandise and experiential) gifts each worth very close to net $1,500.
- Group C was given a choice (cash or non-cash).

Groups A and B were asked to rate how satisfied they would be with their reward. This was repeated in the second experiment with 375 different students using utilitarian non-cash rewards in place of hedonic. Experiments three and four were variations of experiment one using slightly different hedonic rewards. Experiments five and six were used to validate the results in experiments one through four, first by surveying actual reward earners (five) and next by conducting an experiment in which actual rewards were used to incentivize students tasked with solving word problems (six).

Results

As expected, those in the first and second experiments anticipated significantly more satisfaction from non-cash rewards than cash. Also as expected, those in Group C, the choice group, reacted differently depending on the type of non-cash reward on offer. Against a choice of hedonic rewards, 65% chose cash. Against a choice of utilitarian rewards, only 51% chose cash, indicating indifference.

- Experiments three and four were designed to test the strength of the fungibility trigger where choice is allowed, and the strength of the affective (i.e., emotional) response where no choice is offered. In these experiments, only hedonic non-cash reward options were presented. Here again, those who imagined receiving non-cash rewards rated their likely satisfaction and enjoyment much higher than did those who imagined cash. This reinforces the notion that non-cash rewards trigger a stronger affective response than cash. In experiment four, where choice was re-introduced, two-thirds of participants chose cash over any of the hedonic non-cash options. In stating why, they say they feel more strongly about the practical value of cash than the excitement and enjoyment of the non-cash rewards.
- In experiment five, 76 surveys were received from employees of various companies who receive reward points that they can exchange for gifts from a catalogue. They were asked whether they prefer cash or non-cash, which type of reward people would most likely enjoy more, which they would talk about more, be more proud of, and which people would work harder for. Consistent with experiments one through four, they reported a marked preference for cash, but predicted the non-cash reward would generate more enjoyment and discussion (there was no difference for pride).
- In experiment six, 88 students were asked to solve word scramble problems. Three random groups were created. In the cash group, the person who solved the most anagrams earned $250 cash. In the non-cash group they received a choice between three non-cash rewards, each worth ~$250 and in the the choice group, the option of $250 cash or one of the non-cash gifts. Those in the first two groups were asked to rate their satisfaction with the rewards; those in group three were asked which they would most likely choose. Here again, non-cash participants rated their likely satisfaction significantly higher than cash participants, and those with choice overwhelmingly chose cash.

Key Findings

- Non-cash rewards often trigger a more powerful affective (emotional) response than cash rewards. When presented with these rewards separately, most people prefer a non-cash reward because they believe it will lead to greater enjoyment and satisfaction.
- But when given the explicit choice between cash and hedonic non-cash rewards, most people will choose cash because the comparison triggers rational thinking that supplants any affective feelings.
- Where a choice between utilitarian non-cash rewards and cash is offered, about half choose cash and half choose the reward — the fungibility thought process is not triggered.
- All of this demonstrates that preferences aren't fixed, they change depending on how options are presented (or framed). People are often highly susceptible to even slight changes in the way options are worded and presented.

Actionable Take-Aways

- The authors conclude their paper by stating: *"Although offering employees cash incentives may be more economically rational, evidence from this paper and other published reports suggest that non-cash incentives may ultimately make employees more satisfied."*
- If you believe — as much research attests — that more employee satisfaction, enjoyment, and happiness with a reward results in better organizational outcomes, you should make more use of non-cash rewards.
- If you believe that choice between cash and non-cash rewards leads to greater satisfaction overall — as much research attests — consider separating the choice as much as possible to avoid pitting rational thought against emotions. In this manner, most people will likely choose a non-cash reward — delivering greater enjoyment to them and better returns to the organization — while also ensuring that those who truly need the cash have the option.
- Always think about how you "frame" your rewards, including reward choice and presentation. Even changing a word or two in your messaging can make a significant difference in employees' perception of a reward or a reward program.

Questions?

Please forward any questions you may have to the authors, Professors Victoria Shaffer and Hal Arkes.

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Bio & Other Research

Hal Arkes (Professor Emeritus Ohio State U.): arkes.1@osu.edu

Bio & Other Research

RECENT & RELEVANT

Academic Research Summary: A Wonderful Life: Experiential Consumption and the Pursuit of Happiness, and We'll Always Have Paris: The Hedonic Payoff from Experiential and Material Investments

Citation: Thomas Gilovich, Cornell U., Amit Kumar, Cornell U., & Lily Jampol, Cornell U. (2015). *Journal of Consumer Psychology*. 25 (1) 152-165 Thomas Gilovich, Cornell U. & Amit Kumar, Cornell U. (2014). *Advances in Experimental Social Psychology*, chapter 4. Volume 51, 147-187.

Availability: These articles are available for free download at: http://pages.stern.nyu.edu/~lbornkam/S15Seminar/gilovich_paper.pdf and https://static1.squarespace.com/static/5394dfa6e4b0d7fc44700a04/t/547d571fe4b094d782c0e634/1417500738967/Gilovich+Kumar+%28in+press%29+Always+Have+Paris+Advances.pdf

Introduction: This summary condenses two related papers by the same authors (Gilovich & Kumar). Though the research is not in the field of incentives and rewards, it is highly relevant to reward program designers and to the themes explored in this issue of the *Quarterly*. Studies one and two in this issue established the heightened need for well-designed incentive programs to motivate modern workers. Studies three and four delved into the psychology of today's employees to reveal what broad sorts of rewards may be more effective in inspiring higher performance, engagement, and retention — and under what circumstances. The papers summarized below, and the one that follows in the next summary, distinguish reward types more specifically by examining a close parallel — the impact of experiential purchases versus material purchases amongst consumers.

In the last summary, we learned that given the choice of cash or one of five hedonic rewards (some material, some experiential), people will most often choose cash. This is thought to occur because when presented with hedonic rather than utilitarian non-cash rewards, the contrast between the flexibility and utility of cash and the luxuriousness (or even selfishness) of a hedonic reward is heightened. Though the recipient is subconsciously and immediately drawn to the hedonic reward (an affective response), its juxtaposition with cash triggers rational thought that defeats emotional feelings. In other words, it becomes obvious to them that equivalent cash is the better choice because it can be used to buy the same experience, or anything else. Unfortunately, many cash reward recipients will use the cash to pay bills, as seen in our third summary in this issue. Paying bills is not likely to create "buzz" about the reward because, as seen in the third summary, people tend not to talk about it. Moreover, cash rewards are not memorable to most people, and, therefore, do not spark a closer emotional connection to the employer, nor to colleagues.

The studies summarized here demonstrate that experiential purchases generate better results for consumers across a range of emotional and psychological factors. This suggests that experiential, non-cash gifts/rewards will spark equally positive feelings, emotions, memories, and behaviors amongst reward earners.

Summary

The authors bemoan our acquisitive society in which conspicuous consumption adds nothing to happiness. They hypothesize that by spending more of our money on experiences, we can derive greater satisfaction, enjoyment, and happiness than in buying more things; unless those things are framed experientially — an interesting point we will come back to in a moment.

Across many studies over several decades, people consistently report more long-term satisfaction, happiness, and well-being from their experiential purchases than their material ones. This is, in part, due to the effect of "hedonic adaptation." People tend to "adapt" quickly to new cars, raises, and bonuses (i.e., the thrill wears off fast), but the same is not true for experiences. Indeed, if anything, people tend to upgrade their memories of trips, adventures, and other experiences in retrospect, remembering the best elements and forgetting or downplaying the worst. To quote the authors, "Psychologically, it is the experience that lives on and the possession that fades away." Moreover, while few can recall any regrets in not buying a "thing," many can describe the regret they still feel in missing experiences going back even decades (e.g., passing up tickets to a Bob Marley concert in 1980, his last tour).

Beyond pleasant memories, experiential purchases build relationships. Much research, most notably that built around Self Determination Theory (SDT), speaks to the fundamental importance of relatedness (belonging) in human motivation. The authors argue that experiences are more satisfying than material goods, in part, because they bring people together. People tend to enjoy experiences with others and to connect with others over similar experiences enjoyed separately (e.g., discussing a favorite restaurant or travel destination they have in common). Indeed, experiments show that people would prefer to converse with others about experiences than things they bought, no matter who is doing the talking. After all, our experiences (including the ones we didn't purchase) add up to who we are, not our cars, TVs, and lawnmowers. It is fascinating that in experiments in which people are told they have won either their ultimate dream vacation or something good but far less incredible, they will take the latter if told they can talk about it afterward but would not be allowed to talk about the former. This is not true when presented with the same scenario for a material prize.

Material purchases may also bring less satisfaction than experiential purchases because they lend themselves to easier comparison. Our natural but in many ways unhealthy drive for status plagues many people. Even if they love their new Ford Explorer, for example, that feeling might quickly turn to dissatisfaction and envy if their best friend from college shows up in a new Audi Q7. Experiences, on the other hand, are much more difficult to compare, so people tend not to. A safari to Africa, for example, yields lifetime memories in whoever experiences it. If one person flies business class and stays in a Five Diamond resort and another economy at a Four Star campground, the latter is very unlikely to lose any satisfaction of their unique experience in a conversation with the former. In fact, as described above, they are likely to bond over the shared experience. One of the most powerful truths about experiences though, is that they do not have to be extraordinary to generate similar results. For example, we often relate more with people around experiencing a "hole-in-the-wall" restaurant than we do around fine dining.

The positive effects of experiences are not even limited to experiences, per se. First, many products straddle the line between material item and experience. Golf clubs, fishing poles, and a Harley-Davidson motorcycle are obvious examples. But TVs and even coffee mugs can also be “framed” as experiences. The authors point to experiments in which the same feelings and emotions associated with experiential purchases can be evoked when a material thing is framed, or presented experientially. This may be why advertisers so often show their products being used in social contexts — people having fun experiences together with the product — even if the product is only in the background.

As we will see in the next summary, it is fascinating that even two identical coffee mugs can evoke different responses: one inscribed “my coffee mug,” versus another inscribed “my coffee time.”

Material gift

Experiential gift

Actionable Take-Aways

- Consider apportioning a greater percentage of your incentives budget to experiential rewards.
- To maximize their relationship-building effects, choose social experiences, such as incentive group travel, offsite meetings, or even team dining experiences.
- Encourage your firm to reward all employees by creating places that encourage social experiences, connectedness, and well-being, such as gyms, walking paths, and informal gathering places.
- When using merchandise rewards, offer a larger range of experiential items, like sports equipment, for example. And when you present material rewards, frame them in an experiential context.

Question & Answer with the Authors

Q1: Do you believe hedonic adaptation applies to cash as well? For example, if one receives a cash bonus, does the thrill wear off as quickly as if they’d bought a new car?

> *Although extra cash, such as that which comes with a raise, is always nice, people tend to adapt very quickly to their increased wealth, certainly in the same ballpark of how quickly they adapt to material goods like new clothes or a new car. This rapid adaptation to increased wealth is one of the reasons that is often cited for the Easterlin Paradox, or the fact that people in the developed countries have experienced a very sizable increase in income over the past half-dozen or more decades, but have not experienced a corresponding increase in happiness or psychological well-being.*

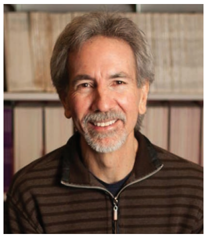
Q2: On page 160 of your 2015 article, you mention work one of you is doing to test experiences and gratitude. Has that research been done? If so, what were the key findings?

> *Yes, Amit and I, along with another graduate student, Jesse Walker, found that experiential purchases tend to elicit more gratitude than material purchases — and that when people feel the greater gratitude that comes with experiential purchases, they are more generous to others.*

*This paper will be covered in the Winter 2018 issue of the *Quarterly*.

More Questions?

Professors Thomas Gilovich and Amit Kumar are members of the IRF's Academic Network. Please email them with any additional questions you may have.



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Bio & Other Research

Academic Research Summary: Experiential Gifts Foster Stronger Social Relationships Than Material Gifts

Citation: Cindy Chan, U. Toronto & Cassie Mogilner, UCLA. (2017). *Journal of Consumer Research*. 43 (6) 913-928.

Availability: This article is available for free download at: http://www.acrwebsite.org/volumes/v42/acr_v42_16916.pdf

Introduction: Building on the topic of the previous summary in this issue, the research reviewed below explores the differences between material and experiential gifts in strengthening relationships. In the previous summary, we found evidence that experiential purchases generate more and better memories, create more positive associations, and promote relationship-building more effectively than material purchases. This research focuses specifically on relationships, and does so in the context of gift giving, which closely parallels the giving of rewards at work.

Our choice to focus on relationship-building in this last summary is quite deliberate. More than ever, our most iconic, successful, celebrated, and emulated organizations are those that possess and project a strong "talent culture." In other words, organizations that involve their employees, grant them autonomy, connect them to a shared purpose, and encourage citizenship behaviors tend to outperform those that do not. Accordingly, much of what employers look for today is employees who share information and knowledge, respect their colleagues, and help those in need. More than ever, work and business require strong relationships. Where incentive and reward programs can encourage "prosocial" (i.e., altruistic) behaviors and stronger relationships, organizations and employees will benefit enormously.

Summary

The researchers base their hypotheses, in part, on the research reviewed in the last summary. Though almost 80% of people report a preference for giving material gifts, the researchers expect experiential gifts to prove more effective at strengthening the relationship between the gift giver and receiver even when they do not share the experience. The authors propose that similar feelings of appreciation are likely during the exchange of a gift, whether material or experiential. However, the additional emotional impact of using (i.e., consuming) experiential gifts should lead to differences in the relationship-building effect between the two. This, they posit, is because the emotions associated with using experiential gifts prove stronger and last longer than for material gifts.

The researchers tested their hypotheses by conducting four experiments involving about 2,000 subjects.

Results

- In the first experiment, subjects gave either a material gift (e.g., wine aerator) or an experiential gift (e.g., movie ticket), both valued at $15. Givers and receivers and material versus experiential rewards were randomized. Givers and receivers of experiential gifts could not enjoy them together. Consistent with the researchers' hypotheses, those who received experiential gifts were more likely to report a positive change in relationship strength than those who received a material gift.

- The researchers acknowledge that material gifts can also have an experiential component. Accordingly, they devised an experiment to test the effect of material gifts framed experientially. Participants were given one of two coffee mugs to gift to someone else. Half gave away mugs inscribed "my coffee mug," the other half, "my coffee time." Those who received the latter reported forging a stronger bond with the giver than those who received the former.
- In experiment three, six hundred adult participants were asked to recall either an experiential or a material gift received in the past and how it impacted their relationship with the giver (534 were able to do so). Gifts recalled ranged widely in terms of type and value but participants rated experiential gifts as generating stronger relationships with the giver than material gifts, whether or not the receiver shared the experience with the giver. Receivers rated their emotions during the gift exchange as equal, whether an experiential or material gift. However, they reported feeling significantly more gratitude associated with experiential gifts during their use.
- Almost 1,000 subjects participated in experiment four, a survey in which participants (excluding control group members) were asked to recall and describe either a material or experiential gift they received that made them feel emotional while consuming it (and that they did not consume with the giver). All were given definitions of material vs. experiential gifts. Participants were asked to rate the gift's emotional impact and its effect on their relationship with the giver. Again, experiential gifts rated higher in relationship-building than material gifts. Importantly, participants described a broad range of gifts including many material gifts that delivered (and often continue to deliver) an emotional punch when used, such as jewelry given on special occasions, and even meaningful photographs. This led the authors to state, *"Material gifts that made recipients feel emotional while consuming them were as effective at strengthening the relationship as experiential gifts."*

Actionable Take-Aways

- In the author's words: *"Consuming an experience evokes greater emotion than consuming a material possession."* A key take-away from the last summary — consider apportioning a greater percentage of your incentives budget to experiential rewards — applies even more directly from this research because it tests gifts as opposed to purchases.
- The greater emotion in using (consuming) an experiential gift appears to be the main driver in strengthening the relationship with the giver. Again, the take-away is to use experiential rewards more often; after all, relationships are the lifeblood of modern, successful organizations.
- For reward program designers, it is also important to note that the positive effects of experiential gifts hold even where giver and receiver do not share the experience. Thus, individual incentive travel may be just as likely to strengthen the bond between an organization and its employees as group incentive travel. Perhaps more so where individual travel includes family, because it may deliver more emotional impact than solo incentive travel or even that with co-workers.
- The benefits of experiential gifts extend to material gifts that either have obvious experiential components (e.g., sports equipment, etc.) or that are presented in a manner that evokes experiential thoughts. A reward of a big screen TV, for example,

should be presented as one that brings friends together to share big sporting events. Even better are material rewards that might evoke deeper emotions, such as jewelry attached to a milestone life event or a major accomplishment at work.

Questions?

Please forward any questions you may have to the authors, Professors Cindy Chan and Cassie Mogilner Holmes.

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Bio & Other Research

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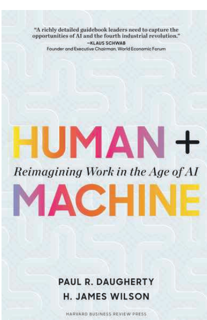
Bio & Other Research

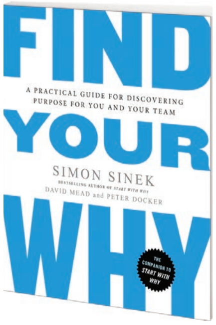
BOOKS REVIEWED & RECOMMENDED

When two of the world's most sought-after CEO strategy advisors get together with the head of a leading headhunting firm to write a book about talent, you should listen. The most remarkable thing about *Talent Wins* though, has little to do with the content — the authors' material, though excellent, says almost nothing more than what HR gurus Dave Ulrich, Peter Cappelli, John Boudreau, and others have been saying for decades. Rather, the fact that Ram Charan and Dominic Barton have at last announced that talent trumps finances — and even more striking, that it has become strategy — says everything you need to know now about what really drives successful organizations today.

Bullshit Jobs stems from a hugely popular article the author wrote in 2013 on the same topic. Regrettably, he stretches a brave and subversive article into a far too wordy and repetitive book. Only in the last sentence does he admit he wrote it to provoke thought, not to propose solutions. Fair enough, though some might call that bullshit. The first four chapters offer many amusing anecdotes about people in bullshit jobs. These chapters should have been summarized into one or two chapters at most. To get to the thought-provoking material, skip straight to chapters 5–7. Though the ideas in these last 100 pages are, at best, three-quarters baked, enough insight emerges to make you really consider whether politicians, the wealthy, and even you collude to keep yourself and most others in a sort of Matrix — a confined and prescribed life of very limited freedom, frustrated by the demands of mostly meaningless work. Those interested in humanist philosophies and who question the basic elements of life and work that most people take for granted will enjoy this book.



As the plus in title suggests, *Human + Machine* is not another tome about the existential threat of artificial intelligence (AI). Grounded in the present and near-term future, the authors focus squarely on what organizations and leaders must do now to catch what they call a bigger, more important wave than industrialization or computerization and the Internet. Though only a few firms have seen the light so far, they include Amazon, Google, Capital One, and a handful of other industry-leading companies whose leaders embrace experimentation, digitalization, and new ways of doing business. The authors argue persuasively that success in the era of AI isn't about full automation and throwing masses of people out of work; rather it requires you to reimagine your business entirely, largely by combining the strengths of AI (processing, stamina, pattern-recognition, consistency) with those of humans (creativity, judgment, emotional intelligence). This approach will ensure that AI and robots continuously improve as they learn from people, while freeing employees from tedious work and giving them superhuman abilities where they combine their strengths with those of the robots. While some of the jobs of the future that the authors describe seem fanciful (e.g., HR specialists for robots), you might agree after reading the book that AI could create something of a workers' paradise, at least in the short term. Every organizational leader should use this book to reflect on what their firm must do to stay relevant as AI begins to change everything.



Find Your Why, the sequel to Sinek's first book, *Start With Why*, takes the concept from idea to implementation. As usual and expected in the self-help genre, platitudes abound. In the first few chapters, many of the authors' overly simplistic statements, advice, and anecdotes sound inauthentic, including, briefly, their superficial references to the field of neuroscience. However, while the authors may overreach their expertise, they make up for it by providing a highly detailed, clear, and actionable guide to what, for many, will prove a very useful process. "Knowing your Why" is just another way of saying you should know what makes you get you out of bed in the morning. But the authors' guidance really shines when they describe the process of discovering organizational Why. Without question, the most sustainable and successful organizations manage to communicate a shared purpose where, no matter how large they grow, employees can articulate the vision, values, and impact of their work. The authors' "Tribal Why" process gives you everything you need to run a Why session for your team or organization.

— Fall, 2018 —
Volume 1, Number 3

THE IRF QUARTERLY ACADEMIC REVIEW

FOR INCENTIVE, REWARD & RECOGNITION PROFESSIONALS

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