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# THE IRF QUARTERLY ACADEMIC REVIEW

FOR INCENTIVE, REWARD & RECOGNITION PROFESSIONALS

Volume 1, Number 4

## IMPROVING PRACTICE & APPLICATION

**CONTENTS**



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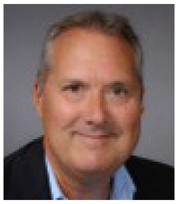
## FROM THE EDITOR, ALLAN SCHWEYER



In this final issue of the *Quarterly* for 2018, we extend our exploration of the benefits of non-cash, tangible rewards to include consideration of the sweeping changes we've experienced at work and in the general economy over the past few decades, and how reward design might evolve to adapt to those changes. It seems to me that reward program designers using non-cash rewards are perfectly positioned to extend and reinforce 21st century *expectations* of work – from the perspective of organizations *and* talent. For many workers, it has become the soft rewards of work: culture, relationships, trust, and purpose that matter most. The good news for employers is that these rewards most align to employees' intrinsic motivation, and intrinsic motivation (i.e., engagement) is a far better motivator in terms of organizational success, than is the pursuit of money, power, or even prestige.

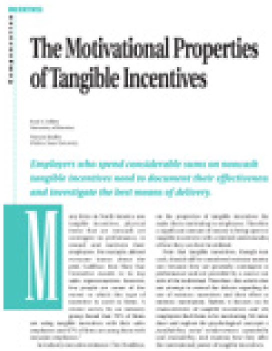
That doesn't mean there is no place in the 21st century for extrinsic, tangible rewards. In fact, the research summarized in this issue offers compelling evidence that external rewards can boost internal (intrinsic) motivation and engagement. To some, this may be a revolutionary (even blasphemous) claim, but to me, it makes sense. When reward designers resist focusing solely on the reward itself as the carrot, and consider instead, the much more powerful root human motivators – purpose and meaning, autonomy, inclusion, learning, peer recognition, well-being, and career advancement, for example – they'll more likely design external rewards that reinforce those psychological needs. In doing so, they'll deliver significantly more value to their organizations.

Of course, you can't do it alone. Leaders must adopt behaviors that reinforce employee autonomy, relatedness, and competence. That means coaching rather than commanding, listening, sharing information, and, of course, recognizing each employee. A reward program designer can't make those things happen, but you can use your knowledge of human motivation and performance to influence your organization in that direction. Indeed, if you're involved in designing reward programs, you should consider yourself a "motivation and performance professional," whose primary strategy does not emphasize "do this/get that" incentives, but has expanded to include appreciation of human behavior and emotions. Including recognition of the complexity of the individual versus the simplicity of the one-size-fits-all approach.

We hope the work summarized in this issue will prompt you to think a little longer about whether and when it makes sense to directly incentivize people using contingent, carrot-like rewards. In many cases, it may be more effective to separate the reward from the desired behavior; again, to increase your direct focus on the motivational drivers above and use rewards as nudges rather than blunt instruments.

In today's economy and workforce, non-cash rewards are vital, but often work more effectively by making a supporting contribution to engagement and performance. By using them indirectly, in the background, you'll more likely build social relationships, and, as the research summarized attests, you'll help create the conditions – the culture – in which employees will internalize extrinsic rewards, thereby boosting their intrinsic motivation to perform the work.

## MICRO-REVIEW


The Motivational Properties of Tangible Incentives

### Academic Research Summary: The Motivational Properties of Tangible Incentives

**Citation:** Scott Jeffrey, University of Waterloo & Victoria Shaffer, Wichita State University (2007). The Motivational Properties of Tangible Incentives. Compensation & Benefits Review 39(3):44-50 · June 2007 *with* 1,290 Reads
DOI: 10.1177/0886368707302528

**Availability:** A full version of this article is available at: www.researchgate.net/publication/242141086_The_Motivational_Properties_of_Tangible_Incentives

**Introduction:** This paper was among the first to detail various benefits of non-cash rewards versus cash rewards. The authors point out that non-cash tangible rewards are extrinsic motivators, just like cash, in that they are generally contingent on performance. It assumes that employees (in general) find tangible, non-cash rewards motivating. We chose to revisit this paper first in this issue because it sets the stage for the summaries to follow. Each subsequent summary in this issue is based on an article that explores how and when cash and non-cash tangible rewards work, when they don't, and how to design them so that they more likely will.

### Summary:

The authors cite expectancy theory in stating that people will exert effort for a reward in proportion to the value of the reward. They reference evidence that hedonic (i.e., luxury) non-cash rewards represent things that some employees might feel guilty about buying for themselves, yet would be motivated to earn as a reward from their employer. As an employee works hard toward the reward, its perceived value grows greater than its actual cost. Expectancy theory posits that this, in turn, will drive even greater commitment and more than usual effort. Because non-cash rewards are visible (a form of recognition), and, it is socially acceptable to discuss them with peers (as opposed to cash). They may also deliver greater long-term impact, potentially causing sustained effort even after the reward is received and consumed.

The authors cite mental accounting theory as another reason non-cash rewards may deliver better returns than equivalent cash rewards. People tend to classify cash rewards with salary and wages, making it likely they'll spend their reward in similar, forgettable ways; for example, on groceries, the mortgage, or utility bills. A non-cash reward, on the other hand, can be imagined and visualized while working to earn it, and then it is often consumed experientially, creating positive memories and associations. Both factors make non-cash tangible rewards more likely to motivate extra effort than cash. The authors are careful to point out that not all employees will respond in the same way. Some might feel they have no chance of earning the reward and so will ascribe it a low value, and this could potentially cause them to reduce their effort following the introduction of the reward.

### Actionable Take-Aways:

The authors recommend giving reward earners choice among a range of unique, luxury incentives that they can't easily find on their own, or, even if they could, might feel guilty about buying. Don't reveal the monetary value of your rewards, and, change your reward items frequently to avoid hedonic adaptation (i.e., don't let them go stale).

## Considerations:

Keep this overview article in mind as you read the remaining four summaries in this issue. Ask yourself:

- What have we learned about neuroscience and behavior since the article was written, and does that change anything?
- Are contingent (if/then) cash or non-cash rewards effective for all types of work and conditions?
- Is it really a question of cash vs. non-cash, or are their subtleties that render this debate superficial?
- Can external motivators (tangible rewards) be presented in a manner that is not coercive or controlling and that actually boost intrinsic motivation and engagement?

## RECENT & RELEVANT:
## Academic Research Summary: The Performance Effects of Tangible Versus Cash Rewards: The Mediating Role of Categorization


**Citation:** Choi, Jongwoon and Presslee, Adam, The Performance Effects of Tangible versus Cash Rewards: The Mediating Role of Categorization (March 6, 2016). AAA 2016 Management Accounting Section (MAS) Meeting Paper; 2016 Canadian Academic Accounting Association (CAAA) Annual Conference. Available at SSRN: https://ssrn.com/abstract=2645966 or http://dx.doi.org/10.2139/ssrn.2645966

**Availability:** A full version of this article is free on request to Allan Schweyer (allans@tmlu.org)

**Overview:** The researchers set out to test elements of mental accounting theory that suggest non-cash, tangible rewards lead to greater employee performance than cash rewards because recipients are more likely to classify (i.e., mentally account for) non-cash, tangible rewards separate from salary or wages. They also investigated the question of whether the more a person accounts for a reward separate from salary or wages, the better their performance. This research explores the extent to which reward designers should strive to frame or present non-cash, tangible rewards separate from salary/wages or cash rewards, in order to encourage greater performance.

### Summary

A growing body of research finds that recipients of cash bonuses and rewards tend to lump their earnings with wages and salary, mentally accounting for these types of rewards in the same way as wages. This research argues that when recipients classify cash rewards with wages, they receive no "hedonic" effect. In other words, the reward generates no emotional affect and so lessens any impact on performance. The same research argues that recipients of non-cash, tangible rewards are significantly less likely to classify their rewards alongside salary or wages. These reward earners, therefore, experience a hedonic and emotional impact, driving higher performance. Moreover, the guilt they associate with receiving a hedonic gift causes them to work harder to justify the extravagance and reduce their feelings of guilt. Though these findings are consistent with theories in psychology and behavioral economics, other research outcomes (mostly performed in a lab setting) have failed to find a significant difference in performance between subjects motivated by cash rewards versus those motivated by non-cash, tangible rewards. The authors of this paper aim to help resolve the debate by investigating how reward recipients perceive cash and non-cash rewards differently and how those differences impact performance.

### Methodology

In their experiments, the researchers test two hypotheses: 1: Tangible rewards are more likely than cash rewards to be categorized differently from salary, " and 2: "The more differently a reward is categorized from salary, the greater the performance." In Study 1, designed to test both hypotheses, 100 subjects performed a decoding task, at first with no compensation or reward, then with one of several reward "conditions." One-third (randomly-selected) received a cash wage of $25 with the potential to earn a non-cash reward (a movie ticket) if they met a performance target. A second group received a $25 wage and a potential cash reward of $10. A third group was offered $25 in wages, boosted to $35 in wages on condition they met the performance goal.

In the second study, 24 participants were given a task sorting various forms compensation and reward into categories of their own choosing. Participants completed a survey following this task. Each was given a chocolate bar for their efforts.

## Results

From Study 1, the authors found that the more a reward is perceived as separate from salary or wages, the greater the performance increase. They discovered that recipients do tend to account for non-cash rewards separate from wages or salary, but not to a greater extent than they do with cash bonuses. The authors conclude that reward program designers should take care to “magnify” the differences between non-cash tangible rewards and cash bonuses in terms of how the rewards are described and delivered. The authors caution that in lab experiments, such as this one, differences between cash and non-cash rewards tend to stand out more than in real-life or field experiments, perhaps making the impact of cash rewards more equivalent to non-cash rewards in laboratory settings.

In Study 2, the authors found that participants indeed classify non-cash, tangible rewards separate from wages and salary, and separate from cash rewards. They conclude that their results offer “compelling evidence supporting … claims that employees think about tangible rewards differently than they do about cash rewards.” Thus, this research suggests that when reward program designers are careful to present and deliver non-cash, tangible rewards separate from cash rewards, wages and salary, the more likely recipients will be to mentally account for those rewards distinctly and separately. And the more they classify these rewards separately, the more likely the organization is to realize greater performance results.

## Actionable Take-Aways

- Reward recipients perceive cash and non-cash, tangible rewards differently, leading to differences in performance. Presented well, you’re likely to achieve better performance gains using non-cash, tangible rewards over equivalent value cash rewards.
- However, this study suggests that under some conditions, reward participants do not classify non-cash tangible rewards and cash rewards differently.
- Thus, reward program designers should strive to present non-cash, tangible rewards as separately as possible from wages and salary, and from cash rewards.
- In assessing research into the question of cash versus non-cash rewards, seek out evidence based on field experimentation and observation as opposed to that based on laboratory experiments. The latter introduces variables that may not exist in the “real world,” making the findings less reliable.

## Question & Answer with the Authors

Q1) Three years later, have you explored questions related to this research further? If so, is there any new evidence that impacts the findings from these experiments?

> *Proponents of tangible rewards often note that tangible rewards can be more motivating than cash rewards because employees think about tangible rewards differently than they do cash rewards. In particular, some argue employees tend to think of cash rewards as simply “more salary” but are less inclined to view tangible rewards in this way, and point to various differences between cash and tangible rewards as potential reasons why this might be the case.*
>
> *We recently conducted a set of four laboratory experiments designed to examine the individual and joint effects of three differences between cash and tangible rewards that are commonly cited as potential drivers of employees’ perceptions of the reward, and thus, performance. Specifically, we focus on the following three factors:*

*1) Tangible rewards are often framed as being distinct from an employee's salary, while cash rewards often are not – one source of such framing is that tangible rewards are often paid separately from salary, while cash rewards are often paid together with salary in a lump-sum.*

*2) Tangible rewards are often hedonic in nature (reflect fun and exciting things), while employees tend to treat (spend) cash rewards in more utilitarian ways, like they do with their salary (budget or spend cash rewards on paying bills or buying groceries).*

*3) Tangible rewards often feel like windfall (how you might feel if you won the lottery), while cash rewards typically do not feel this way*

*We first conducted a "holistic" experiment in which all three differences were present. The goal of this holistic experiment is to determine whether the performance benefits of tangible rewards materialize when all three differences are present. Then, we conducted three additional experiments to isolate the incremental effect of each individual difference.*

*In our experiments, participants performed a task on the computer for several rounds, with each round lasting two minutes. In each round, participants had a difficult, but attainable performance goal. In some of the rounds, participants could earn a reward for attaining the performance goal. In addition to recording whether participants attained the performance goal when a reward was offered, we also measured participants' commitment to attaining the performance goal when a reward was offered, and their perceptions of the degree of similarity between the reward and the fixed compensation they received in each round (this compensation served as their salary in each round).*

*In the holistic experiment, we find participants offered tangible rewards perceive less similarity between the reward and the fixed compensation they receive in each round, indicate greater goal commitment, and attain the performance goal more than do participants offered cash rewards. These results are consistent with claims about the performance benefits of tangible rewards. However, in the three "individual difference" experiments, we find minimal evidence that any one individual difference has any significant effect. Collectively, these results suggest that, in settings similar to the one we examine in our experiments, no single difference is sufficient for motivating greater performance. While the results of our experiment cannot tell us how many differences are sufficient, they do suggest that a multitude of differences are necessary in order for the performance benefits of tangible rewards to materialize.*

## More Questions?

Professors Willie Choi and Adam Presslee are members of the IRF's Academic Network. Please send additional questions directly to them at their email addresses below.

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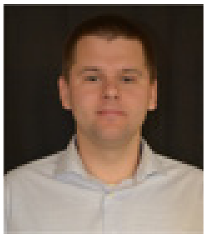
Bio & Other Research



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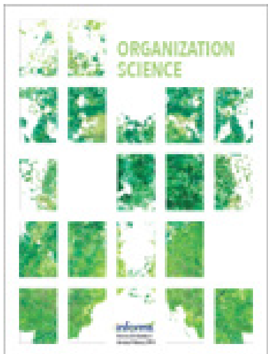
Bio & Other Research

## RECENT & RELEVANT




# Academic Research Summary: Motivational Spillovers from Awards: Crowding Out in a Multitasking Environment

**Citation:** Gubler, Timothy and Larkin, Ian and Pierce, Lamar, Motivational Spillovers from Awards: Crowding Out in a Multitasking Environment (December 28, 2015). Forthcoming in Organization Science; Harvard Business School NOM Unit Working Paper No. 13-069. Available at SSRN: https://ssrn.com/abstract=2215922 or https://ssrn.com/abstract=2215922

**Availability:** A full version of this article is free on request to Allan Schweyer (allans@tmlu.org)

**Overview:** Multitasking theory states that when employees are incentivized to achieve one goal, they are likely to pay less attention to others. Research also demonstrates that employees often game incentive programs to earn rewards, and that the introduction of extrinsic rewards, most notably, cash, crowd out natural, intrinsic motivations to perform the work. An impressive body of research demonstrates that these negative consequences of incentive programs can be reduced or eliminated where non-cash rewards are used in place of cash rewards. In this field research, the authors explore employee behaviors around a corporate attendance award program to investigate whether employees game the program, and whether extrinsic rewards impact intrinsic motivations and "prosocial" behaviors.

This research incorporates recent findings from the fields of social psychology and behavioral economics, making it especially relevant to today's reward program designer. For example, the authors examine the impact of new extrinsic rewards on high performers who already did the work without external reward (i.e., intrinsically motivated). This research is unique in that it investigates the *negative* effects of corporate non-cash reward programs, whereas most other research allows for only two possible outcomes of reward programs: positive and neutral.

## Summary

Existing incentives and rewards research holds that the introduction of rewards boosts performance, even if only for a subset of employees. Motivational research argues that some workers perform without extra incentive because they are intrinsically-motivated and/or are driven by a need for peer recognition and prestige. This combination of factors may explain why external rewards boost some, but not all worker performance. Those whose performance doesn't improve may include workers who were already intrinsically motivated and/or motivated by their need for status. In other words, they don't need the tangible reward to encourage them to do work they already perform at a high level. But does that neutralize the impact of the reward on those workers, or does it demotivate them?

## Methodology

The authors define a corporate award program as: "… contain[ing] four fundamental traits: they involve a formal program set up by management; they involve public recognition to winners; they involve the formal bestowal of something tangible, such as money or a certificate or trophy; and they involve scarcity or competition, such that not everyone can win." The researchers collected data from a new corporate award program introduced in a US laundry firm, in one of its five industrial plants. This allowed them to hold the remaining four constant, as a control and comparison group.

The new award recognized those with perfect monthly attendance (including punctuality) by announcing their names at a plant-wide meeting each month. In addition, one each month was randomly selected to receive a $75 gift card for a restaurant or a specific store. The authors used the data to test the notion that non-cash corporate award programs avoid the deleterious effects of financial reward programs. They cite a "growing [body of] evidence that non-monetary rewards may indeed generate many of the same behavioral responses as money." They extrapolate their findings into a new theory of the hidden costs of non-cash reward programs that they term "negative motivational spillovers" and base their theory on established behavioral economics and social psychology theory.

The authors define "internally-motivated" employees as those with high task performance in the absence of formal rewards, and "reward-motivated" employees as those with low task performance prior to the introduction of the incentive. They predict their research will offer evidence that:

1. *"The introduction of an award program for a previously unrewarded task improves reward -motivated employee performance on that task.*
2. *Employees who respond to an award with increased performance will achieve some of this increase by manipulating the rules of the system in ways costly to the employer.*
3. *Reward-motivated employees who respond to an award with increased performance will revert to their lower pre-award performance once ineligible for the award.*
4. *Performance on the now-awarded task by internally-motivated employees will be lower than pre-award performance after eligibility loss."*

Each of these predictions carries significant implications for reward program design, the fifth (below), however, is novel. In effect, the authors propose that the introduction of an external reward meant to encourage one task, can lead to negative performance across a raft of other tasks engaged employees previously performed well. They point to the rupture of a psychological contract with these employees as the cause. In other words, intrinsically-motivated employees perform well for two reasons. First, for their base compensation, and second, due to the psychological bond with their employers based on shared values and a sense of loyalty and reciprocity. External rewards can break those bonds, replacing them with a motivation that proves far less powerful. Worse, the breaking of the psychological covenant may produce feelings of unfairness, producing enormous emotional backlash and demotivation in employees who were once highly engaged in their work. The authors predict that these negative effects will appear immediately on announcement of new rewards.

5. *"Introducing an award for a task will cause employees who are internally motivated for that task to perform other tasks less well than they did in the pre-award period, even absent a common effort or attention constraint."*

## Results

The reward reduced tardiness among those classified as previously tardy by a whopping 36%, supporting the author's first prediction. "Tardy," however, is defined by the plant as anything more than 7 minutes late. After introduction of the reward, employees were 50% more likely to clock in just before the cutoff, lending support to the author's second prediction, that employees would game the program to the detriment of their employer.

Moreover, both previously high-tardy and low-tardy employees became significantly more likely to use sick days after the introduction of the reward, further supporting prediction 2 and prediction 4 (previously intrinsically-motivated employees began to game the new system also). Worse, previously motivated employees became 5.5 times more likely to violate plant attendance or punctuality rules after violating the rules a first time during the month (which made them ineligible for the reward).

Though high-tardy employees reduced tardiness during the reward period, they did not, per prediction 3, revert to past levels of tardiness once the reward was removed (10 months later). This lends some support to the notion of "nudges," which suggests that small rewards over a long period of time can create habits that endure after the nudges (i.e., rewards in this case) are removed. Unfortunately, removal of the reward did not return previously low-tardy employees back to their positive behaviors, those employees also continued their new, negative habits.

In terms of performance, the researchers discovered that previously low-tardy (intrinsically-motivated) employees performed 8 percent worse immediately after introduction of the reward and over the period of its use. This supports the authors 4th and 5th predictions, and represents a first in suggesting that crowding out, or "negative motivational spillover," occurs beyond the incentivized task, and is general in nature.

Despite modest improvements in reduced tardiness among previously high-tardy employees (these employees saw no change in performance) the authors estimate that the plant's incentive, far from returning dividends in productivity beyond the $75 per month spent, actually cost it between $1,497 to $3,302 each of the ten months it operated.

## Actionable Take-Aways

- Take great caution in the design of cash and non-cash reward programs intended to raise performance in a task or behavior. This research clearly demonstrates that ill-conceived rewards can lead to gaming of the program, reduced motivation amongst those who previously performed the task or behavior well, and reduced performance among previous high performers across a range of other tasks not directly associated with the incentive. Poorly designed rewards, in other words, can disengage previously engaged/motivated workers.
- Award programs are neither universally positive, nor universally negative. In their design you must, according to the authors: "carefully consider the benefits and costs …"
- Use a cost-benefit approach from traditional economics, combined with social psychology and behavioral economics insights to craft rewards thoughtfully and systematically. In other words, design programs that calculate likely hard returns but balance those considerations with the reality of human emotions, biases and behavior on the part of employees who are impacted by the rewards. Design programs that consider the cascading impacts of rewards on peoples' trust and their general psyches; and on tasks other than the one(s) incentivized.

## Question & Answer with the Authors

Q1) Do you have any advice on how to mitigate the effects you describe when designing nonmonetary reward programs. For example, can they be presented, communicated, delivered, etc. differently so as to avoid breaking the psychological compact?

> *One of the key implications of this study is that many of dangers associated with monetary incentives also apply to non-monetary awards. Consequently, managers need to anticipate and plan for a host of incentive problems common to compensation plans. In our study, we observe clear fairness concerns, where prior contributions that were not rewarded are*

*compared against present contributions that are awarded. When creating awards for behaviors that were previously unrewarded (such as attendance), managers have to find ways to recognize these prior good behaviors to address these fairness concerns. This can be as simple as giving the first award based on achievement prior to the award starting. This is partly a design solution, but so much of it is about recognition and communication.*

*The other obvious advice is for managers to recognize that the same multitasking problems induced by financial incentives also result from non-financial awards. So the impact of an award on the awarded behavior cannot be viewed in isolation. Employees may game non-monetary rewards just the same as financial incentives. This is largely a design solution, but managers must also ensure that by shining a spotlight on one behavior, they don't diminish the importance of others. That can be communicated directly to workers.*

Q2) Since the experiments in 2011 and publication in 2015, have you made any new discoveries that impact the findings from this research?

*Although we have not done additional research specifically on awards, we continue to work on worker responses to social structure and incentive systems in settings such as retail sales, trucking, real estate, and automotive. This work has only strengthened our view that human behavioral responses to reward systems are complex, based in financial and social motivation with psychological and emotional biases that often surprise managers. But other scholars such as Jana Gallus at UCLA have continued to show that non-financial awards are not simple and free replacements for financial incentives, but instead come with complex implications based in behavioral economics and social psychology.*

## More Questions?

Professors Timothy Gubler, Ian Larkin, and Lamar Pierce are members of the IRF's Academic Network. Please send additional questions directly to them at their email addresses below.

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Bio & Other Research

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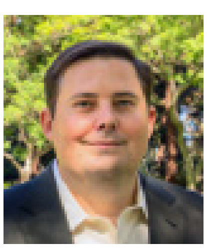

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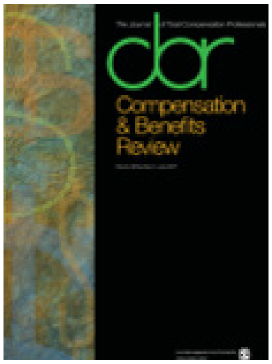


## Academic Research Summary: The Carrot or the Stick? Investigating the Functional Meaning of Cash Rewards and Their Motivational Power According to Self-Determination Theory

**Citation:** Anaïs Thibault Landry, UQAM; Jacques Forest, ESG UQAM; Drea Zigarmi, The Ken Blanchard Companies; Dobie Houson, The Ken Blanchard Companies; With Étienne Boucher and Normandin Beaudry Compensation & Benefits Review (2018) 1–17 2018 SAGE Publications DOI: 10.1177/0886368717750904 https://journals.sagepub.com/home/cbr

**Availability:** A full version of this article is free on request to Allan Schweyer (allans@tmlu.org)

**Overview:** The researchers apply concepts from Self-Determination Theory (SDT) to aid in explaining why cash rewards sometimes prove effective and at other times don't. Specifically, they investigate the meaning recipients ascribe to cash rewards. The authors propose that recipients (employees) who perceive a cash reward as "informational" (i.e., supportive of their psychological needs), versus "controlling" (i.e., restrictive of those needs and pressure-ridden), experience a healthy effect that promotes more positive work behaviors and attitudes. Their findings contribute to a better understanding of reward program design, whether cash or non-cash is used as the reward.

### Summary

A growing body of research finds that cash rewards, bonuses and pay-for-performance sometimes work to boost employee motivation and performance. However, other research suggests these effects, if any, are short-lived and may only temporarily lift the quantity of output, not its quality. Psychological theory posits that a person will perform better when they are intrinsically, or autonomously, motivated. Because their work is consistent with their identity, values and goals, and in line with their needs for autonomy (i.e., connectedness to others) and competence, a healthy relationship with the organization and the work results, leading to better performance. On the other hand, attempts to control a person by leveraging their willingness to pursue a reward contingent on achieving a goal or target, foster a negative relationship. Controlling rewards emphasize pressure or guilt, or may even imply sanctions. These type of incentives both lower intrinsic motivation and impair employees' psychological needs, causing unhealthy relationships to the organization and the work, resulting in disengagement, lower commitment levels, and even dishonesty and manipulation in pursuit of the reward. The authors argue that "cash can be presented in a supportive way, thus conferring them an informational meaning, or in an oppressive way, giving rise to a controlling meaning."

The researchers test two hypotheses:

1. Rewards framed in an informational manner will boost intrinsic motivation and lower feelings of being coerced, resulting in better attitudes, behavior and health.
2. Contingent, controlling rewards will weaken intrinsic motivation, resulting in negative attitudes, behaviors and health.

## Methodology Study #1:

In the first study, the authors surveyed 236 working adults in Quebec, Canada, earning an average of about $55,000 USD per annum. The survey gathered participant responses to a series of questions related to their perceptions of various rewards and the impact of those rewards on their psychological needs for autonomy and competence.

## Results Study #1:

The results of Study 1 generally supported both hypotheses. Controlling rewards (i.e., contingent on goal accomplishment) significantly reduced intrinsic motivation, and where respondents perceived a reward as informational (rather than controlling) it significantly boosted their feelings of autonomy (the opposite also held true). Moreover, where respondents reported feeling intrinsically motivated, their psychological health rose, and where they did not, it dropped.

## Methodology Study #2:

To further test and validate the findings from the first study, the researchers surveyed a separate audience of 934 working men and women from a variety of nations worldwide.

## Results Study #2:

The results were similar. Informational rewards spurred greater feelings of autonomy and competence in recipients, while controlling rewards had the opposite effect. Unexpectedly, however, respondents who felt intrinsically motivated and those who felt controlled both reported high psychological well being, positive attitudes toward work, and intent toward positive behaviors.

## Conclusions

The authors conclude that their results support the notion that cash rewards can be perceived differently by employees, affecting their attitudes, behavior and performance. Overall, both studies equate informational rewards to greater feelings of autonomy and controlling rewards as diminishing to employees' feelings of autonomy and competence. In both studies, employees whose needs for autonomy and competence were satisfied, were more likely to report feeling intrinsically motivated. In both studies, employees who reported feeling intrinsically motivated were more likely to communicate positive work intentions, including extra effort and a desire to stay with the organization.

## Actionable Take-Aways

- Cash and other rewards are not inherently good or bad, it is how they are perceived that can make a significant difference in outcomes.
- Design, implement and communicate rewards to convey good intentions so that they will be well-received by employees, boosting their psychological needs rather than diminishing them.
- Describe and present rewards so that they are more likely to be perceived as supportive (i.e., informational) than controlling.

## Question & Answer with the Authors

Q1) Can you further describe "informational" versus "controlling" rewards. What is an example of a reward that people would likely perceive as informational? In other words, how do you design a cash (or non-cash reward) to give it what you call an "informational meaning?"

*The greatest distinction between an informational and a controlling meaning resides in how the employer presents the reward programs to employees. If it's not done with care, employees might feel like the rewards are just thrown at them, like bones to a dog, and this, in the long run, risks damaging intrinsic motivation, because, no matter how enjoyable the reward may feel, it is devoid of meaning. Informational rewards are those that are imbued with meaning, and that make employees feel recognized, appreciated and acknowledged at work. For example, they are the rewards for which employees can see that their supervisor took just that little extra second to add a handwritten thank-you note or write a brief email to the rest of the department to acknowledge their specific role and contribution, before giving them the flower arrangement or sending them the $50 gift card for a spa. Informational rewards are also those that employees feel were selected with care, because the supervisor (and ultimately the employer) genuinely cares about them. For instance, a supervisor offering a day off to an employee because he knows the employee has put in a lot of overtime to deliver a project on time. On the other hand, controlling rewards are those that are dangled like carrots and are presented in a "tit-for-tat" frame. When rewards are presented in a controlling way, employees feel coerced, i.e., "if you do this, you'll get that." When presented like this, employees do not feel like they matter very much to their employer, and are less likely to be motivated, engaged or committed.*

Q2) How do you think your results would hold if non-cash, tangible rewards were substituted for cash, would they be the same more or less, or very different?

*I think the results would be fairly similar, since my research shows that what really matters is the meaning that employees ascribe to the reward they get from their employer. In this sense, whether it is money or a tangible gift, what determines employees' attitudes and motivation at work is what they believe their employer intended by giving them the reward. If employees feel like the intent was not authentic, for example, if the reward they received is generic and not personalized for them or what they accomplished, or the (cash or non-cash) reward was handed out carelessly, with no real appreciation for their work, then the reward is much less likely to have the intended effect on them and probably won't motivate nor make them want to invest and engage in their organization.*

## Questions?

Principal Researchers Anais Thibault-Landry and Jacques Forest are members of the IRF's Academic Network. Please send additional questions directly to them at their email addresses below.

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Bio & Other Research

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Bio & Other Research

## RECENT & RELEVANT


# Academic Research Summary: When are Rewards Bad for Innovation? Leaders as Catalysts for Positive Linkages Between Work Motivation and Innovation

**Citation:** Vishal Gupta, Indian Institute of Management. In WorkatWork Journal Q4: 2018 see: www.worldatwork.org/journal

**Availability:** A full version of this article is from WorldatWork: www.worldatwork.org/journal

**Overview:** Self-Determination Theory (SDT) suggests that external rewards should have a detrimental impact on employee innovation because rewards serve to distract from intrinsic-motivation, an essential ingredient to innovation and creativity. SDT-based, and other research, posits that external rewards prove effective for routine tasks but negatively impact complex, interesting and creative tasks, such as those involved in innovation. On the other hand, an equally impressive volume of research suggests that rewards can drive higher performance and sustained effort regardless of the task.

Reconciling these views requires a separate, bridging construct. In this paper, Dr. Gupta describes and tests one potential bridge, or missing link – that of "integrated extrinsic motivation." He investigates the notion that some extrinsic motivation – for example, to realize one's long-term career aspirations – can be internalized and made compatible with one's self-identification and values, rendering it indistinguishable from intrinsic motivation. Dr. Gupta tests this fascinating and important theory through analysis of data generated from a survey of 493 creative and innovative workers involved in civilian research for the Indian government.

## Summary

Self Determination Theory defines intrinsic motivation as: "… doing a job when one finds it to be inherently interesting and enjoyable." It describes extrinsic motivation as "… the performance of an activity in order to attain some external separable outcome." But external motivation, according to Gupta, exists along a continuum. At the extreme, an employee is fully disengaged from the task and no reward is likely to motivate them. Next, the employee will perform the task but only to earn the reward. Further along, they are motivated to perform the task but mainly due to pressure, guilt or to maintain their sense of self-esteem. Finally, at level four, extrinsic motivation can be integrated such that it becomes "part of the self," essentially intrinsic, in other words. Where extrinsic motivation becomes indistinguishable from intrinsic motivation, engagement, innovation, and creativity can be enhanced using carefully selected external rewards, such as real but indeterminate opportunities for promotion, or choice of future assignment, for example (even though these rewards may be vaguely contingent on performance or goal achievement). Importantly, level four integration of extrinsic motivation won't occur when rewards are used in a controlling or coercive manner (i.e. directly tied to immediate goal achievement/performance).

Dr. Gupta emphasizes the role of leaders in building a psychological compact with employees such that those employees will more readily internalize external rewards. Leaders who behave like coaches rather than managers, who inspire rather than control, who empower, rather than command, who lead by example, set clear goals, and who encourage inclusion, knowledge sharing and team work, create the conditions of trust in which the psychological compact is built.

Moreover, leaders who infuse meaning and purpose in the work – a shared mission – and who reward and recognize employees, who avoid the power dynamics often present in performance reviews, who listen, include, share information, and who craft challenging assignments, generate intrinsic motivation by satisfying employees' psychological needs for relatedness, autonomy, and competence. This may carry over even to mundane, uninteresting work and creates the conditions in which external motivations can be internalized.

Dr. Gupta conducted a study to test his ideas. He expected that his results would lend weight to two hypotheses: 1) Good leadership, as described above, will derive intrinsic motivation from external incentives, and 2) This will in turn, boost employee innovativeness.

## Results:

Dr. Gupta's survey analysis revealed that good leadership indeed drives "autonomous motivation," meaning, employees in the study internalized external reasons to perform work they would otherwise not have been intrinsically motivated to perform. In Dr. Gupta's words: "… extrinsically motivated activities can become self-determined through the process of integration."

The results showed that this autonomous motivation, in turn, sparked greater "innovative work behaviors." Dr. Gupta concludes that his study supports and confirms other research linking good leadership to autonomous motivation (i.e., engagement), and that this occurs only when employees' psychological needs are met (autonomy, relatedness, competence). He states that when extrinsic motivation is reconciled with an employee's identity it drives innovation; otherwise, it restricts innovation.

## Actionable Take-Aways

- In Dr. Gupta's words: "… if managers and organizations are interested in impacting the innovativeness of their employees through extrinsic rewards then it is essential that they also ensure that the rewards are accompanied with feelings of self-efficacy, competence, autonomy and relatedness (i.e., connectedness)."
- Dr. Gupta encourages organizations to ensure that leaders adopt behaviors and attitudes to ensure these psychological needs are met among employees. He suggests training programs for leaders to acquire these skills.
- Dr. Gupta encourages an individual approach to motivation. The effects of external motivation, he argues, are not the same for each employee, thus, reward designers must appreciate the "subtle differences that exist among individuals."

## Question & Answer with the Author

Q1) Can we safely extrapolate your findings and ideas beyond their impact on innovation? For example, do you believe the same would hold true for any sort of interesting, creative work?

> *I think so. I feel that the approach can work in other types of interesting, creative works also.*

Q2) Where a leader satisfies an employee's psychological needs, will this create the conditions under which that employee will more readily engage in work of all types, whether interesting or mundane?

> *I feel this may be more applicable in work that is non-routine and that requires individuals to be creative. For routine work, research shows that money can be a good motivator.*

Q3) Does your work suggest that well-selected and presented tangible rewards (cash or non-cash) can increase innovation where leaders also satisfy employees' psychological needs?

> *Rewards (cash or non-cash) when accompanied with informational aspects such as developmental feedback and periodic information about individual's growth and learning can play a significant role in improving employee innovative performance.*

## More Questions?

Professor Vishal Gupta is a member of the IRF's Academic Network. Please send additional questions directly to him at his email address below.

**Vishal Gupta** (Professor, Indian Institute of Management): vishal@iima.ac.in

Bio & Other Research

## BOOKS REVIEWED & RECOMMENDED


*2018*

Over the past few decades or so, the world has changed profoundly, and with it, work. Routine jobs have given way to those demanding critical thinking and creative problem-solving skills. Fortunately, learning has begun to change also, at least in leading organizations and among top employees. With near unlimited, often free, and frequently high-quality learning available – everywhere and anytime – active learners no longer wait for corporate training. Leaders must support self-directed and peer learning by investing in practices and technologies that empower learners to manage their own learning and career goals. Visionary, if not piercingly original, this excellent and timely work suffers only from the authors' constant plugging of their own firm. They would do well to learn that while content marketing works, subtlety makes it better. Nonetheless, *The Expertise Economy* will prove valuable to learners, leaders, teachers, and even parents.

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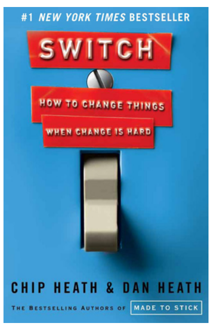


*2010*

New findings in neuroscience, behavioral economics, and decision science bear on much of the psychology of change that the Heaths describe throughout their now-classic Switch. This doesn't invalidate any of the authors' excellent advice around change management. By boiling change down into a brief series of key steps, the authors turn a too-complex, painful, and often overwhelming process into a set of manageable steps that anyone can follow. For example, their simple but wise recommendation that leaders look for what's working and replicate it to accelerate change makes enormous sense, especially because many leaders believe complex problems require difficult, lengthy, and expensive solutions. Throughout, the authors use a memorable metaphor – the Elephant and the Rider – to explain the need to appeal both to human emotions and logic in motivating change. The Elephant represents your emotions, the Rider, your rational thinking. Change advocates usually make the mistake of focusing only on the latter. They make a sensible, logical, even irrefutable case for change based on data, evidence, and forecasts. Everyone nods in agreement – the Riders hop on board and can't wait to get started – but nothing gets done because that huge and powerful Elephant hates change and likes the status quo. The Heaths describe a process for getting your Elephant on board and clearing the path for both Rider and Elephant to make change happen together.

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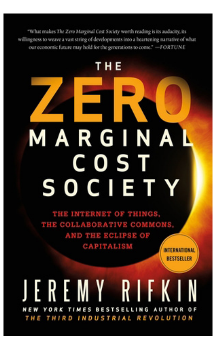


*2015*

Rifkin describes society's march toward a collective commons featuring an economy based on sharing, collaboration, social experience, and broad empathy. His opening five chapters are nothing short of a tour de force. With stunning clarity, he weaves history, economics, psychology, and science into a cohesive and compelling vision of a radically different and much better future. He stumbles a little in places. After all, no one can write 300 pages about the future without getting some things wrong. He might overstate the importance of 3D printing and the emerging *Internet of Things,* for example, but even here, it's too soon to know. The horizons for most of Rifkin's predictions span 30-50 years, yet, already, many of the broader social movements that he argues will add up to a "Third Industrial Revolution" and a world of abundance, have accelerated in the five years since he shared them. For example, Rifkin displays remarkable prescience in describing young peoples' collective consciousness toward social cohesion. And chapter ten, which thoroughly takes apart the ideas behind the "Tragedy of the Commons," stands on its own as classic. A realist might predict humanity's open-eyed, inexorable march to oblivion within the century, but those seeking an alternative future will surely appreciate Rifkin's hopefulness.

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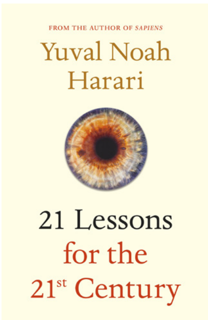


*2018*

Harari, a historian, philosopher, and social critic, has earned membership among the rarified ranks of genuine global gurus owing to his previous bestsellers Sapiens and Homo Deus. The former addressed humankind's past, the latter, its future. In 21 Lessons, Harari mostly discusses the present; specifically, the most pressing issues of the day. Ranging from climate change to artificial intelligence and nuclear war, his insights remain as sharp as ever. His ambitious attempt to explore and explain twenty-one major issues in 300 pages, mostly works, surprisingly. Inevitably though, original thoughts and inspired ideas mix with many repeats from his first books and, in some cases, even superficial banalities one so often encounters in social media. This doesn't make his warnings less urgent though, nor the importance of documenting them. Leaders in politics, business, religion and education should read all three of Harari's books, perhaps especially this one, as it offers both a frightening summary of the existential threats facing humankind, and a compelling call to immediate action.

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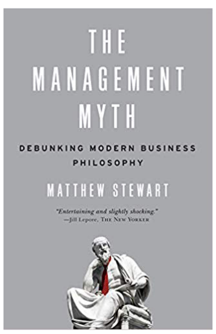


*2010*

Each year, a thousand or so new business books join the tens of thousands already published. In many, the authors – often business gurus or consultants – shamelessly elevate their advice to a level of certainty approaching fact. In *The Management Myth*, Matthew Stewart demolishes the notion of management as science. From Frederick Winslow Taylor's stopwatches and measuring tapes, to Tom Peters' eight fundamental principles for excellence, Stewart exposes the flawed research and outright deception characteristic of so many popular management gurus and consulting firms. Throughout, he weaves his own hilarious and sometimes tragic experiences as a leading strategy consultant for many years. Though Stewart undoubtedly emphasizes the negative over the positive, anyone considering hiring a management consultant, becoming one, or implementing the latest, greatest business idea, should read this first.

# Glossary of 2018 Research Summaries

### Vol 1 Number 1 Spring, 2018 — The Effects of Tangible Rewards Versus Cash Rewards in Consecutive Sales Tournaments: A Field Experiment

Though tangible (non-cash) rewards are often considered more motivating than cash rewards, more research – especially field experimentation – is needed to explore their impact on performance in actual work settings. This new and directly-applicable research uses consecutive sales competitions in a large-scale ("real-life") field experiment. It breaks new ground by comparing the motivational effects of cash vs. tangible rewards over a longer time horizon than in past research. It adds to the growing body of evidence regarding the conditions under which tangible rewards generate greater resilience and sustained effort than cash rewards. It offers new evidence that performance can be improved through serial use of tangible rewards versus cash in sales incentive contests. In other words, it demonstrates that weaker performers in initial sales incentive contests can significantly improve their performance in subsequent contests provided a tangible incentive is used rather than cash.

*Cash v. Non-Cash; Emotional Impact; Mental Accounting; Sales/Revenue/Profits; Reward impact on learning*

**Presslee, Kelly, Webb**

Citation: The Accounting Review (Vol 92, No. 6, 2017)

### Vol 1 Number 1 Spring, 2018 — Why Individuals Want Money Is What Matters: Using Self-Determination Theory To Explain The Differential Relationship Between Motives For Making Money and Employee Psychological Health.

This exceptional and important paper examines the reasons people pursue money (and cash rewards), and places their motivations into intrinsic and extrinsic categories. The researchers connect the categories to factors of health and well-being, and to workplace performance. Their results offer convincing evidence that the pursuit of cash for intrinsic purposes leads to greater well-being and performance, while its pursuit for extrinsic reasons often leads to frustration, ill health, and lower performance. The researchers also describe why experiential rewards effectively contribute to intrinsic purposes and positive outcomes.

*Cash v. Non-Cash; Self-Determination Theory; Employee Engagement; Health, Wellness, Well-Being*

**Landry, Forest**

Citation: Anais Thibault-Landry et al, in Motivation and Emotion. Jan 9, 2016 (Springer Science & Business Media)

### Vol 1 Number 1 Spring, 2018 — Translating Time to Cash: Monetizing Non-Salary Benefits Can Shift Employment Preferences

Reward and recognition professionals know that non-cash rewards often drive greater employee satisfaction and performance than cash rewards, yet employees often state a preference for cash. This research offers designers new and practical insight into how to make non-cash rewards and benefits more appealing – by converting them to cash.

*Intangible Benefits of Reward Programs; Hard and Soft Benefits of Reward Programs; Health, Wellness, Well-Being.*

**Whillans, Dwyer, Perojic**

Citation: 2018 Academy of Management. 9 Jul 2018https://doi.org/10.5465/AMBPP.2018.12617abstract

### Vol 1 Number 2 Summer, 2018 — Is Cash King for Sales Compensation Plans?

This groundbreaking research significantly adds to the sales-motivation literature and motivation in general. It is a must-read for anyone involved in merchandise rewards and those interested in the cash versus non-cash rewards debate generally. Building on decades of research, the authors report the results of a rigorously-conducted, large-scale field experiment involving almost 600 salespeople in a US food company. The subjects were unaware of the experiment, making their actions natural and unbiased. This important research examines what happens when a firm moves its salespeople from an incentive program based on a mix of cash and reward points to a cash-only regime. It describes the effects of mental accounting and cash vs. merchandise preference with implications running into the millions of dollars for the organization.

*Cash v. Non-Cash; Mental Accounting Theory; Hard Benefits of Reward Programs; Measurement (ROI/VOI); Rewards Impact on Sales/Revenues/Profits; Productivity Impact*

**Viswanathan, Li, John, Narasimhan**

Citation: Journal of Marketing Research: June 2018, Vol. 55, No. 3, pp. 368-381.

### Vol 1 Number 2 Summer 2018 — It's Not All About the Jacksons

If you've read certain of Dan Ariely's recent bestsellers about human motivation and decision-making, you've probably seen accounts of the experiment described in this summary. Ariely, Hochman, and Bareket-Bojmel tested the effects of three short-term reward types (bonuses) with workers in a semiconductor plant in Israel. The rewards were provided for achieving output beyond baseline performance. Those who qualified earned either cash ($25), a family pizza voucher (worth $25), a written note of appreciation from their immediate senior manager, or a choice between cash and pizza. You may be surprised at the differences in impact between the reward types – and the effects when the rewards were removed.

*Cash v. Non-Cash; Tangible and Intangible Benefits of Reward Programs; Emotional Impact; Impact on Productivity, Absenteeism and Citizenship Behavior*

**Ariely, Hochman, Bareket-Bojmel**

Citation: Journal of Management May 27, 2014 (Vol 43, Issue 2, pp. 534 – 554)

### Vol 1 Number 2 Summer 2018 — The Currency of Reciprocity: Gift Exchange in the Workplace

The simple but exceptionally well-constructed experiments that are the subject of this paper shed light on the question of reciprocity in rewards. The researchers recruited 139 subjects. All were offered 36 euros for three hours of work in a library where they would enter information about books into a database. The subjects did not know they were part of an experiment. When they arrived, they were slotted into one of six treatment groups (unbeknownst to them). In each of the first five groups, the subjects were thanked and told that in appreciation for their work, and in addition to the agreed upon 36 euros, they would, at the conclusion of their work: (Group A) receive a cash gift of 7 euros, (Group B) receive a water bottle wrapped in cellophane, (Group C) receive a water bottle wrapped in cellophane with the price (7 euros) clearly visible, (Group D) receive either 7 euros cash or a water bottle worth the same (their choice), or (Group E) receive 7 euros wrapped in an attractive Origami design. Of the 139 subjects, 35 were placed into a control, or baseline group, and told only that they would receive the agreed upon 36 euros. The differences in performance among the groups sheds much light on effective reward program design.

*Cash v. Non-Cash; Tangible and Intangible Benefits of Reward Programs; Emotional Impact*

**Kube, Maréchal, and Puppe**

Citation: The American Economic Review 2012,102 (4): 1644-1662

**Vol 1 Number 2 Summer 2018 — Paying $30,000 for a Gold Star: An Empirical Investigation into the Value of Peer Recognition to Software Salespeople**

Much has been written about humankind's universal need for recognition and respect; from Maslow's Hierarchy through Deci & Ryan's Self-Determination Theory and more recently, from Lawrence & Nohria's Four Drive Model of Motivation to the 2016 book "Primed to Perform" (which portrays the pursuit of status as a powerful but negative motivator). For better or worse, the admiration and respect of our peers, neighbors, and even strangers, exerts a powerful pull on nearly everyone (including most of those who claim not to care about what others think). Evolutionary biologists and neuroscientists would no doubt chalk this up to our genetic algorithms. Early on, our status in the tribe meant survival, or at the very least, was a large determinant of whether we would pass on our genes. The subject of this summary is Ian Larkin's fascinating study of a modern tribe of software salespeople. His findings suggest that little has changed in the past 70,000 years or so. People, it seems, care very deeply about their place in the tribe. They (and especially men) will compete vigorously for recognition and respect from their peers and pay large sums to achieve it.

*Intangible Benefits of Reward Programs; Emotional Impact; Hard and Soft Benefits of Reward Programs; Sales/Revenues/Profits; Productivity Impact; Impact on Engagement, Teamwork, Citizenship Behavior, and Health, Wellness, Well-Being.*

**Larkin**

Citation: (2012) Pending Publication. The full text of this article is available on request to Ian Larkin at: ian.larkin@anderson.ucla.edu

**Vol 1 Number 3 Fall 2018 — Intrinsic Motivation and Extrinsic Incentives Jointly Predict Performance: A 40-Year Meta-Analysis**

As the economy and workplace completes a 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 conclude that all incentives are bad. 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 on interesting, creative work. It shatters both myths.

*Cash v. Non-Cash; Tangible and Intangible Benefits of Reward Programs; Emotional Impact, Hard and Soft Benefits of Reward Programs;*

**Cerasoli, Nicklin, Ford**

Citation: Psychological Bulletin, American Psychological Association. Vol. 140(4), July 2014, 980-1008.

**Vol 1 Number 3 Fall 2018 — Do All Material Incentives for Prosocial Activities Backfire? The Response to Cash and Non-Cash Incentives for Blood Donations**

It is reasonable to surmise that blood donors are highly intrinsically motivated? Indeed, they can't expect external rewards 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 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. It does.

*Cash v. Non-Cash; Tangible and Intangible Benefits of Reward Programs; Emotional Impact, Hard Benefits of Reward Programs; Impact of Reward Programs on Retention and Health, Wellness, Well-Being*

**Lacetera, Macis**

Citation: Journal of Economic Psychology. 31 (4) 738-74. 2010

**Vol 1 Number 3 Fall 2018 — Employee Incentive Programs: Recipient Behaviors in Points, Cash, and Gift Card Programs**

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.

*Cash v. Non-Cash; Tangible and Intangible Benefits of Reward Programs; Emotional Impact; Mental Accounting Theory; Hard and Soft Benefits of Reward Programs; Impact on Retention, Absenteeism and Engagement.*

**Norberg**

Citation: 2017 Performance Improvement Quarterly. 29 (4) 375-388. https://doi.org/10.1002/piq.21233

**Vol 1 Number 3 Fall 2018 — Preference Reversals in Evaluations of Cash Versus Non-Cash Incentives**

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 noncash 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 report lower anticipated satisfaction.

*Cash v. Non-Cash; Tangible and Intangible Benefits of Reward Programs; Emotional Impact.*

**Shaffer, Arkes**

Citation: 2009. Journal of Economic Psychology. 30 (2009) 859-872.

### Vol 1 Number 3 Fall 2018 — A Wonderful Life: Experiential Consumption and the Pursuit of Happiness, and We'll Always Have Paris: The Hedonic Payoff from Experiential and Material Investments

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 as it distinguishes reward types by examining a close parallel — the impact of experiential purchases versus material purchases amongst consumers. 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.

*Intangible Benefits of Reward Programs; Emotional Impact; Soft Benefits of Reward Programs; Impact on Retention, Absenteeism and Engagement. Impact on teamwork, citizenship behavior and health, wellness, well-being*

**Gilovich, Kumar, Jampoll**

Citation: (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.

### Vol 1 Number 3 Fall 2018 — Experiential Gifts Foster Stronger Social Relationships Than Material Gifts

The research reviewed explores the differences between material and experiential gifts in strengthening relationships, which closely parallels the giving of rewards at work. 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.

*Intangible Benefits of Reward Programs; Emotional Impact; Soft Benefits of Reward Programs; Impact on Retention, Absenteeism and Engagement. Impact on teamwork, citizenship behavior and health, wellness, well-being*

**Chan, Mogilner**

Citation: (2017). Journal of Consumer Research. 43 (6) 913-928.

### Vol 1 Number 4 Winter, 2018 — The Performance Effects of Tangible Versus Cash Rewards: The Mediating Role of Categorization

The researchers set out to test elements of mental accounting theory that suggest non-cash, tangible rewards lead to greater employee performance than cash rewards because recipients are more likely to classify (i.e., mentally account for) non-cash, tangible rewards separate from salary or wages. They also investigate the question of whether the more a person accounts for a reward separate from salary or wages, the better their performance. This research explores the extent to which reward designers should strive to frame or present non-cash, tangible rewards separate from salary/wages or cash rewards, in order to encourage greater performance.

*Cash v. Non-Cash; Tangible and Intangible Benefits of Reward Programs; Emotional Impact; Mental Accounting Theory; Hard and Soft Benefits of Reward Programs; Impact on Productivity.*

**Choi, Presslee**

Citation: AAA 2016 Management Accounting Section (MAS) Meeting Paper; 2016 Canadian Academic Accounting Association (CAAA) Annual Conference

### Vol 1 Number 4 Winter, 2018 — The Carrot or the Stick: Investigating the Functional Meaning of Cash Rewards and Their Motivational Power According to Self Determination Theory

The researchers apply concepts from self-determination theory (SDT) to aid in explaining why cash rewards sometimes prove effective and at other times don't. Specifically, they investigate the meaning recipients ascribe to cash rewards. The authors propose that recipients (employees) who perceive a cash reward as "informational," i.e., supportive of their psychological needs, versus "controlling," i.e., restrictive of those needs, experience a healthy effect that promotes more positive work behaviors and attitudes. Their findings contribute to a better understanding of reward program design, whether cash or non-cash is used as the reward.

*Tangible and Intangible Benefits of Reward Programs; Emotional Impact; Hard and Soft Benefits of Reward Programs; Impact on Engagement and Health, Wellness, Well-Being*

**Thibeualt-Landry, Forest, Zigarmi, Houson**

Citation: Compensation & Benefits Review · December 2017

### Vol 1 Number 4 Winter, 2018 — Motivational Spillovers from Awards: Crowding Out in a Multitasking Environment

Multitasking theory states that when employees are incentivized to achieve one goal, they are likely to pay less attention to others. Research also demonstrates that employees often game incentive programs to earn rewards, and that the introduction of extrinsic rewards, most notably, cash, crowd out natural, intrinsic motivations to perform the work. An impressive body of research demonstrates that these negative consequences of incentive programs can be reduced or eliminated where non-cash rewards are used in place of cash rewards. In this field research, the authors explore employee behaviors around a corporate attendance award program to investigate whether employees game the program, and whether extrinsic rewards impact intrinsic motivations and "prosocial" behaviors. This research incorporates recent findings from the fields of social psychology and behavioral economics, making it especially relevant to today's reward program designer. For example, the authors examine the impact of new extrinsic rewards on high performers who already did the work without external reward (i.e., intrinsically motivated). This research is unique in that it investigates the negative effects of corporate non-cash reward programs, whereas most other research allows for only two possible impacts: positive and neutral.

*Cash v. Non-Cash; Tangible and Intangible Benefits of Reward Programs; Emotional Impact; Mental Accounting Theory; Hard and Soft Benefits of Reward Programs; Impact on Engagement and Health, Wellness, Well-Being.*

**Gubler, Larkin, Pierce**

Citation: (2018) Management Science, 64(11): 4967-4987.

### Vol 1 Number 4 Winter, 2018 — When are Rewards Bad for Innovation? Leaders as Catalysts for Positive Linkages Between Work Motivation and Innovation

Self Determination Theory (SDT) suggests that external rewards should have a detrimental impact on employee innovation because rewards serve to distract from intrinsic motivation, an essential ingredient to innovation and creativity. SDT-based, and other research, posits that external rewards prove effective for routine tasks but negatively impact complex, interesting and creative tasks, such as those involved in innovation. On the other hand, an equally impressive volume of research suggests that rewards can drive higher performance and sustained effort regardless of the task. Reconciling these views requires a separate bridging construct. In this paper, Dr. Gupta describes and tests a potential missing link, that of "integrated extrinsic motivation." He investigates the notion that some extrinsic motivation, for example, to realize one's long-term career aspirations, can be internalized and made compatible with one's self-identification and values, rendering it indistinguishable from intrinsic motivation. Dr. Gupta tests this fascinating and important theory through analysis of data generated from a survey of 750 creative and innovative workers involved in civilian research for the Indian government.

*Tangible and Intangible Benefits of Reward Programs; Emotional Impact; Hard and Soft Benefits of Reward Programs; Impact on Engagement and Innovation.*

**Gupta**

Citation: Worldatwork Journal, Q4, 2018 see: https://www.worldatwork.org/journal/

### Vol 1 Number 4 Winter, 2018 — The Motivational Properties of Tangible Incentives

This paper was among the first to detail various benefits of non-cash rewards versus cash rewards. The authors point out that non-cash tangible rewards are extrinsic motivators, just like cash, in that they are generally contingent on performance. It assumes that employees (in general) find tangible, non-cash rewards motivating.

*Cash v. Non-Cash; Tangible Benefits of Reward Programs; Emotional Impact; Mental Accounting Theory; Expectancy Theory; Hard and Soft Benefits of Reward Programs; Impact on Sales/Revenues, Retention, Absenteeism, and Health, Wellness, Well-Being.*

**Scott Jeffrey, V, Shaffer**

Citation: Compensation & Benefits Review · June 2007