

In this edition of *Academic Research in Action*, key findings and practical takeaways from two recent papers are presented alongside advice offered by incentive and reward designers themselves. The papers are based on academic studies conducted in the US, Canada, and Portugal over the past three years, and the advice is extracted from interviews conducted with US and Canadian-based practitioners. This combination offers a unique look at how theory and findings from experiments can align with real-world application.

In their 2023 paper, [\*An exploratory analysis of incentive packages and managerial performance\*](#), professors Alves and Lourenço examine the use of incentives as drivers of high performance among CFOs and non-CFOs in managerial positions. They focus on cash rewards, intangible non-cash rewards (e.g., training, autonomy, recognition) and benefits (e.g., health insurance, company vehicle use, flexible work, etc.).

A 2022 working paper by professors Choi and Presslee, [\*When and why tangible rewards motivate greater effort than cash rewards\*](#), focuses on the distinction between cash and tangible rewards (e.g., gift cards, merchandise, travel), analyzing how specific attributes (fungibility, hedonic nature, novelty, and discrete framing) of these rewards influence employee effort.

Both studies contribute to understanding the complexities in incentive design. Alves & Lourenço connect their findings to theories like agency and [self-determination](#), stressing that intrinsic motivators complement traditional incentives. Choi & Presslee apply [mental accounting theory](#), proposing that discrete and novel tangible rewards can encourage greater effort than cash rewards by being perceived as distinct from regular pay.

The practical application of the findings from these studies are described below, with relevant reward initiatives – as shared by our interviewees – following.

## An exploratory analysis of incentive packages and managerial performance

[Alves & Lourenço](#) examine combinations of incentives (monetary, non-monetary, and benefits) in managerial settings, revealing that non-monetary incentives like autonomy and development opportunities are significant for high performance. They examine how different factors come together to produce specific outcomes using data from 614 managers to explore multiple incentive packages, highlighting the importance of autonomy, recognition, and tangible benefits.

Alves & Lourenço show that successful incentive packages often involve blending tangible (cash and non-cash) benefits with recognition, emphasizing that monetary incentives alone may not suffice for high performance.

### Actionable advice:

- Design incentive programs that incorporate a variety of elements, including non-cash and monetary rewards, social and work supports, and traditional tangible benefits.
- Encourage management autonomy and offer development opportunities. This can involve decision-making freedom, skill development workshops, job aides/resources, and career progression paths.
- Integrate formal recognition programs that acknowledge individual and team achievements regularly, such as employee of the month awards or publicized milestones.

Alves & Lourenço emphasize the importance of combining reward types to appeal both extrinsically and intrinsically. They did not explore tangible non-cash rewards such as merchandise and travel, but focused on rewards such as recognition, feedback, inclusion in decision-making, flexibility, autonomy, and learning.

### Examples of application as shared by interviewees:

1. "High achievers are provided access to assistants as a means to increase their productivity. This support allows top performers to focus on core sales activities by offloading administrative tasks, thus enhancing their overall effectiveness."

"By limiting access to high performers only, we increase the perceived value (and prestige value) of having an assistant. This exclusivity makes the reward more appealing and motivates employees to strive for higher performance levels to earn such support."

2. "We grant access to advanced analytical tools as another reward for high-performing sales team members. These tools provide critical insights that help top performers strategize more effectively and manage their sales efforts with precision."

"These resources are costly and are reserved for those who can leverage them for maximum benefit. This structured access ensures that only those who have demonstrated the ability to use these tools effectively receive them, again enhancing the feeling of exclusivity."

3. "We include opportunities for public recognition among peers, which reinforces team dynamics, such as recognition at company events or via social media. We believe this enhances the sense of achievement and belonging among employees."
4. "We promote teamwork through incentives. For example, when we need employees to complete surveys, we incentivize behaviors aimed at achieving a collective target, like an 80% completion rate. The reward is only earned as a team, not an individual. Obviously, the benefits to the company go beyond survey completion as this fosters collaboration within sales teams and encourages everyone to contribute towards a common goal."
5. "There's a focus on understanding individual employee preferences to curate rewards that appeal personally. For instance, we vary reward options for different segments of employees to ensure rewards resonate with them, improving participation."

### When and why tangible rewards motivate greater effort than cash rewards

**Choi & Presslee** conducted experiments across four studies to identify how differences between cash and tangible rewards impact motivation. They find that tangible (non-cash) rewards can provide greater motivation than cash when perceived as distinct and novel, reinforcing that psychological perception of rewards is crucial in motivating effort. This dovetails with the practitioner quotes in items 1 and 2 above, suggesting that even rewards that many firms offer as resources to employees at all levels of performance, can be framed as highly motivating rewards for high performers when infused with exclusivity, status, and recognition.

#### Actionable advice

- Consider reward attributes such as novelty, their hedonic (luxury) nature, and discrete framing (the way rewards are presented separately from an employee's regular salary) when designing tangible rewards. Consider unique gifts or experiences that stand out from regular compensation, emphasizing their distinction as additional gains rather than part of the standard compensation package
- While tangible (non-cash) rewards should be highlighted for their distinctiveness, cash rewards remain essential due to their fungibility. A balanced approach that uses both types strategically can maximize motivation. Employees can derive immediate utility from cash while also appreciating the unique value of tangible rewards, thus catering to a wide array of motivational triggers.
- Frame tangible rewards to enhance their distinctiveness. For instance, tangible rewards could be presented in special ceremonies or as surprise gifts. This distinct framing ensures rewards are not simply seen as salary extensions, but as unique incentives encouraging greater employee engagement and effort.



**Examples of application as shared by interviewees:**

1. "We create high-value, unique experiences tied to achievement, such as exotic trips designed to be hard to replicate. By focusing on exclusivity, these rewards maintain their appeal and prestige, increasing the engagement of employees."
2. "The importance of novelty is emphasized; rewards must be unique to motivate effectively. For example, we have moved away from familiar rewards like common trips to destinations employees have already visited. Instead, we explore new locations or experiences that resonate more with employees' interests and desires."
3. "Even minor rewards (e.g., a Yeti mug) generate excitement. The value stems not just from the item itself but from its perceived exclusivity and branding. People will really work to get these things because they can display them, feel recognized, and gain that sense of pride."
4. "We use a structured approach to long-term incentives, including milestones for achieving higher levels, which drives ongoing engagement. Achievements build towards lifetime rewards like jewelry or special recognition, things that confer status and achievement, strengthening the motivation to stay with the company."

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Both studies and the interviewees stress that non-monetary and thoughtfully designed tangible rewards can serve as cost-effective alternatives or supplements to cash bonuses and other rewards, providing higher motivational value with potentially lower financial cost.

## Blended Incentives Drive Performance

Successful incentive programs mix monetary, non-monetary rewards & recognition

## Team-Based Incentives Boost Collaboration

Incentives tied to team goals (like survey completion rates) promote teamwork and shared success



Choi & Presslee find that **non-cash rewards can provide greater motivation than cash when perceived as distinct and novel**, reinforcing that psychological perception of rewards is crucial in motivating effort.

### KEY TAKEAWAY:

**Non-monetary, well-designed tangible rewards can be more motivating than cash while being cost-effective.**

### REFERENCES

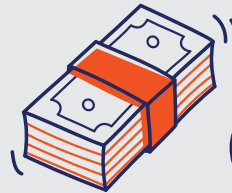
ALVES & LOURENÇO: AN EXPLORATORY ANALYSIS OF INCENTIVE PACKAGES AND MANAGERIAL PERFORMANCE  
CHOI & PRESSLEE: WHEN AND WHY TANGIBLE REWARDS MOTIVATE GREATER EFFORT THAN CASH REWARDS

## Recognition is Key

Formal recognition programs (awards, public praise) reinforce high performance

## Encouraging Autonomy & Growth Matters

Letting employees take ownership of their work fuels long-term success.



Resources offered to all employees can become highly motivating for top performers when framed with **exclusivity, status, and recognition**.