

CASE INCIDENT 2 Attaching the Carrot to the Stick

It seems like commonsense that people work harder when there are incentives at stake, but many scholars question this premise. Alfie Kohn has long suggested that workers are “punished by rewards” and urges that organizations avoid tying rewards to performance because of the negative consequences that can result. As an alternative to rewards, some experts recommend that managers foster a positive, upbeat work environment in hopes that enthusiasm will translate into motivation.

Although rewards *can* be motivating, they can reduce employees’ intrinsic interest in the tasks they are doing. Along these lines, Mark Lepper of Stanford University found that children rewarded for drawing with felt-tip pens no longer wished to use the pens at all when rewards were removed, whereas children who were not rewarded for using the pens were eager to use them. And neuroimaging researchers at Cal Tech found that when incentives reached a certain threshold, the brain’s reward center began to shut down and people became distracted. According to Vikram Chib, the lead researcher on the project, people begin to worry about losing the carrot when the stakes get too high, which leads to failure.

Rewards can also lead to misbehavior by workers. Psychologist Edward Deci notes, “Once you start making people’s rewards dependent on outcomes rather than behaviors, the evidence is people will take the shortest route to those outcomes.” Consider factory workers paid purely based on the number of units they produce. Because only quantity is rewarded, workers may neglect quality. Executives rewarded strictly on the basis of the quarterly stock price will tend to ignore the long-term profitability and

survival of the firm; they might even engage in illegal or unethical behavior to increase their compensation.

Some rewards may also have legal implications. An increasing number of companies are providing financial rewards to employees who meet health goals or participate in wellness programs, but such efforts raise concerns about discrimination against those unable to reach the goals. Incentives might not motivate employees to take a more active role in managing their health in any case. As David Anderson, vice president and chief health officer at Stay-Well Health Management, says, “An incentive itself doesn’t necessarily buy engagement. It buys compliance.”

However, the majority of research cited in this and the previous chapter shows that individuals given rewards for behavior will be more likely to engage in the rewarded behaviors. It is also unlikely that individuals engaged in very boring, repetitive tasks will lose their intrinsic motivation if the task is rewarded because they never had any intrinsic motivation to begin with. The real issue for managers is finding an appropriate way to reward behaviors so desired behavior is increased while less-desired behavior is reduced.

Questions

- 8-17. Do you think that, as a manager, you should use incentives regularly? Why or why not?
- 8-18. Think about your life so far (as a student/perhaps part-time or full-time worker), and discuss what incentives have motivated or, alternatively, demotivated you.
- 8-19. What employee behaviors do you think might be best encouraged by offering incentive rewards?

Sources: Based on V. S. Chib, B. DeMartino, S. Shimojo, and J. P. O’Doherty, “Neural Mechanisms Underlying Paradoxical Performance for Monetary Incentives Are Driven by Loss Aversion,” *Neuron* 74 (2012), pp. 582–594; N. Fleming, “The Bonus Myth” *New Scientist* 210 (2011), pp. 40–43; D. Woodward, “Perking Up the Workplace,” *Director* (February 2011), pp. 33–34; S. Ladika, “Are Wellness Incentives Bad for Your Company’s Health?” *Workforce Management* (February 2013), p. 6; and G. G. Scott, “How to Create a Motivating Environment,” *Nonprofit World* 28 (September/October 2010), p. 9.

MyManagementLab

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- 8-20. How would you design a bonus/reward program to avoid the problems mentioned in Case Incident 2?
- 8-21. Considering the case in the Ethical Dilemma, critics of FPI point to the loss of jobs for law-abiding citizens, while advocates point to the societal benefits. At what point do programs such as FPI do more harm than good, or more good than harm?
- 8-22. MyManagementLab Only—comprehensive writing assignment for this chapter.