An Analysis of Employee Perceptions of Motivational Factors in the Workplace

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Abstract

During the last century, our views on employees have changed from seeing them as a cog in a machine to understanding that their human qualities affect their performance in their position. Along with this has come an increased interest in motivation – how best to inspire optimal effort. One area of contest is in regards to the role that financial incentives can play – some believe them to be demotivating while others contend that they can be a beneficial tool. This research looks into the question of how employees themselves view financial incentives and where the idea of financial incentives falls within the larger scope of other common motivational factors available in the workplace. Through a survey, employees at an advertising distribution company were asked to rank various motivational items and also answered a set of questions to garner their feelings toward financial incentives. This data gives insight into how employees see motivational factors and thus can provide us with clues on how they will respond to them in the workplace. This can be quite beneficial to both the employer and employee as it has the potential to increase productivity and retention for the employer while also raising the satisfaction of the employee.

Overview

We often imagine employers holding the majority of the power in the relationship with their employees. On a most basic level this is accurate. After all, employers have the threat of unemployment in their hands. However, it should not be ignored that employees always have the option to leave and take with them their knowledge, the investment in training the company has presumably made, and their often strong rapport and relationships with clients. More commonly, neither of these scenarios comes into play in situations where an acceptable, but perhaps not maximum, level of effort is being put forth. Here, the employer is at a disadvantage as the ability and the decision to make a greater than minimum effort lies within the employee.

It’s understandable, then, that the idea of motivation - of how best to motivate others, get the most output from them, and keep them committed to the company - is of great importance in business and management. Although companies have begun to search for and use alternative motivating factors, one of the most commonly used methods is a tangible reward - often in the form of a financial incentive that is frequently tied to a set performance standard. This has been considered for quite some time to be an effective and motivating method of reward, desired by the employee and capable of pushing their efforts higher.

There is dissonance, however, in the literature related to financial incentives and rewards. Although many would contend that common sense would assume people would want and would strive for more money, arguments have been put forth that these types of systems are actually detrimental to the employee and, therefore, the company. In a 1993 Harvard Business Review article, Kohn (1993) lays out a rather passionate argument that incentive plans can never work. Part of his insistence relies upon a belief that pay does not motivate, that those who do not meet the incentive standard (and therefore miss out on the money) are actually demotivated, and that these types of financial rewards are actually undermining employee’s inherent interest in their work. Kohn himself has a strong and assured tone; however responses to his speech show a much thicker debate by purported experts in the field. Some agree with his statements. For instance, a senior partner at The Performance Group, a staffing agency, Andrew Lebby, suggests companies would be better served spending their time providing training and increasing the opportunities of employees (1993). Others, such as Jerry McAdams – VP of Performance Improvement Resources at Mantz Inc. – and L Dennis Kozlowski – Chairman and CEO of Tyco Laboratories - decry the absoluteness of his stand, pointing out that some compensation packages have been shown to work (1993).Still others, George P Baker III – Associate Professor at Harvard Business School and Donita S. Wolter – manager of HR for JMM Operational Services, Inc. - find a middle ground, feeling we need to reevaluate how we are using financial rewards and perhaps change these methods rather than do away with them altogether (1993). Kohn's response to these criticisms, however, is that it's our ingrained dogma that is making us resistant to letting go of financial rewards (1993).

Kohn's article relies in part on a concept that is becoming more prevalent – that external, tangible rewards (such as incentive systems) can have a detrimental effect on the intrinsic motivation of the employee. Intrinsic motivation is the motivation that comes from within the person – the inherent interest or curiosity towards a subject or task. It's the desire that comes simply from the person; it isn't influenced or caused by any outside source such as threat, bribe, or compensation. He believes the studies show that financial incentives can actually reduce these internal drives; but is this the real situation? Do employees find financial incentives demotivating and what in general are they personally identifying as being the factors that motivate them in the workplace?

The following section will discuss some of the current theories of motivation and what they propose about the relationship between financial reward and intrinsic motivation. It will then review two similarly conducted studies that have contrasting conclusions. This will highlight the continuing debate related to the benefit and preference for financial reward as a motivation tool versus non-monetary options.

Theories of Motivation

Motivation has been an area of study for quite some time and has resulted in many different theories that hope to best express the concept and define its workings. These dueling theories contend varying expected relationships between tangible external rewards and intrinsic motivation. One theory that posits a positive relationship is the theory of learned industriousness (Eisenberger, 1992). Eisenberger sees rewards working to reinforce behavior. A reward for high effort creates a secondary reward connection for the person in question. This then causes them to be more willing to exert a higher effort in the future. In contrast, a reward for low effort will reinforce an inclination to a low effort. Linking rewards to increasingly challenging tasks will create a positive association for people who will then willingly choose more challenging tasks. Linking rewards to stagnant, moderately challenging tasks will result in people preferring these types of tasks. Eisenberger, then, sees rewards in a positive light when used correctly. By creating a positive association for people, they can increase their tendencies to work in a desired way. Rewards are the impetus for an internal, learned change in the person.

The theory of learned industriousness, however, does not take into account any inherent interest of the person. Social Cognitive Theory stresses the interplay between a person's cognitive state, their behaviors, and the environment. Our behavioral patterns are influenced by who we are (what we believe about ourselves and the world in which we live) and by the environment surrounding us – both the people and the physical surroundings. At the same time, our behavior has an influence on the environment. Each of these items affects and changes the others. Within this theory, Bandura (1997) constructs a more explicit positive relationship between reward and intrinsic motivation. He posits that people will see rewards as a sign of their achievement. This realization of achievement will increase their self-efficacy (part of their cognitive state) which will in consequence increase their interest in the task. Financial reward, then, can actually be the indirect source of internal interest in an activity.

A relatively neutral theory was presented by Herzberg (2003) in his motivation-hygiene theory. Based on a large survey sampling of 1,685 people, Herzberg found two groups of factors that had differing influences. He contended that job satisfaction and job dissatisfaction are separate entities that are not, like most assume, opposites of each other. Instead, the opposite of job satisfaction is lack of satisfaction and the opposite of job dissatisfaction is lack of job dissatisfaction. Their opposites are their absence. Within this definition, they are open to being influenced by separate factors. The factors related to dissatisfaction, which Herzberg labels hygiene factors, are external items such as "company policy and administration, supervision, interpersonal relationships, working conditions, salary, status and security" (Herzberg, 2003, p. 92). Factors related to satisfaction Herzberg calls motivators and are internally located. These include "achievement, recognition for achievement, the work itself, responsibility, and growth or achievement" (Herzberg, 2003, p.92). Financial components of a job, then, are solely related to job dissatisfaction and their existence can at best only ensure a lack of dissatisfaction; they cannot create internal sourced satisfaction. Based on this theory, financial rewards would not be capable of having either a positive or negative effect on intrinsic motivation as they are not in the category that influences this type of motivation.

Still other theories predict a negative relationship between financial rewards and intrinsic motivation. Lepper's attribution theory and the overjustification hypothesis state that when people are rewarded for performance they begin to identify their motivation with the external reward. This causes them to shift their identification from internal motivation and interest in the activity to the external reward. This shift in perception, then, causes a decrease in internal motivation (Lepper, Greene, & Nisbett, 1973). This theory was expanded in a 1996 to include a caveat which presents the possibility of rewards for success increasing motivation. In these cases, the increased sense or perception of competence from the rewards can increase internal motivation (Lepper, Keavney, & Drake, 1996). This later addition is along the same strain as Bandura's expectations laid out in Social Cognitive Theory for increased motivation due to a perception of higher self-efficacy.

The last theory, cognitive evaluative theory (or CET), has caused a large amount of debate and study. It is what people such as Kohn (1993), are referring to when they make the assertion that rewards decrease intrinsic motivation. CET is based on the supposition that intrinsic motivation is fueled by a need for autonomy and a need for competence. Like Lepper's initial views in attribution theory, CET claims that a financial reward can decrease original intrinsic interest and motivation. Rewards for activities with high initial intrinsic motivation can decrease intrinsic motivation if they are perceived to negatively impact either autonomy or competence. Perceptions of reward are categorized as either controlling or informative. Controlling rewards are tied to performance standards; they are attempting to control the behavior of the person. These are thought to negatively affect intrinsic motivation because they reduce the feeling of autonomy and control. A reward is considered informative when it increases the person's feeling of competence. This increased feeling of competence has a positive effect on intrinsic motivation. Based on the dual possibilities in a reward, it will likely have a negative (all rewards by definition are attempting to control and influence behavior) and could have a positive effect on intrinsic motivation (if the reward is perceived as a signal of increased competence). Therefore, the final result is based on the balance of the two factors. Because rewards are considered to be controlling, as they are the attempt of the company to steer the actions of the employee, and because they are frequently directly attached to a performance standard, CET affirms that rewards can be expected to be detrimental to intrinsic motivation (Deci, Koestner, & Ryan, 1999).

CET first took form in 1971 with an experiment performed by Deci. The last 40 years have been filled with further experiments, studies, and meta-analysis regarding the subject. This review will compare two studies that purport to have opposite findings on the relationship between intrinsic motivation and external, tangible rewards.

Individual Studies

Deci 1971

Deci's 1971 study is considered to be the foundation of CET. The setup of the experiment consisted of three sessions. During each session, participants (freshmen at a college – 12 people per group) worked on puzzles that had been chosen as they were expected to hold intrinsic interest to the subjects. For the first and third session, no one was provided financial reward. During the second session, however the experimental group was given $1 per completed puzzle. During each of the three sessions, the experimenter made an excuse to leave the room for 8 minutes. It was this time that was measured for the subjects. Other activities (reading materials) were available in the room. The time that the subjects spent on the puzzles when the experimenter was not in the room was considered a measure of intrinsic motivation as the subject was choosing to work on the puzzles at that time.

The findings of the study showed that there was a marked increase in the free time spent on puzzles during the second session by the experimental group. There was also a decrease to levels lower than the initial session during the third session (when reward had been removed). Deci’s conclusion was based on this comparison between the third and first sessions. As the experimental subjects were measured as having a lower intrinsic motivation, at the end of the study, he surmised that the application of the external reward was the cause of the decrease in internal motivation from initial levels.

Eisenberger, Rhoades, & Cameron 1999

Eisenberger, Rhoades, and Cameron’s 1999 paper covers three separate studies of the same subject and it is the first of these studies that I will discuss. The experimental form was similar to Deci’s in that subjects were given a task and then observed during a “free time” to measure how much time they spent on the task. Different from Deci’s study, this experiment consisted of only one session and the free time was 5 minutes at the end of the session. Additionally, subjects were given a survey of 3 questions at the end to determine their perceived degree of choice, competence, and enjoyment of the task. A second difference is that this tested for two different factors – rewards vs. no rewards and absolute vs. normative (relative) standards.

The participants (435 college students) were broken into the following groups with the task of finding differences between two similar cartoons:

- Absolute standard (finding 3 differences was a high performance), no reward
- Absolute standard, $3 reward
- Normative standard (performing better than 80% of participants), no reward
- Normative standard, $3 reward

For this experiment, all participants met the performance standard. The findings from this study showed that those participants who received a reward had a higher expression of enjoyment of the task, spent more free time looking at the cartoons, and had a higher perception of freedom of choice. Additionally, this effect was greater for those rewarded for an absolute standard versus a normative standard.

Although the conclusions of this paper (that rewards can positively affect intrinsic motivation) are in exact opposite to Deci's earlier study, this has more to do with the interpretation of the result and the method of experiment. Here, reward was either provided or not provided – there is no measure of the result of giving and then removing a reward.

The results of the survey also show a difference from the expectations of CET. CET states that reward decreases freedom of choice, but respondents showed an increase in perception of freedom. If perception of freedom is a sign of autonomy, and autonomy is a basic driver of intrinsic motivation, then it follows that a measure of intrinsic motivation would be higher in those rewarded than in those not.

Conclusions

Two studies are but the smallest sampling of the experimentation that has gone into this area. Further review shows that similar studies have been concluded to show a positive (Pierce, Cameron, Banko, & So, 2003; Cameron, Pierce, Banko, & Gear, 2005) and a negative (Lepper, Greene, & Nisbett 1973) relationship. There are those, such as Jordan's 1986 field study, that found some rewards (those contingent on performance) decreased intrinsic motivation while those that were not were not contingent on performance increased it. What becomes clear is that there is no definite conclusion in this field at this time and someone such as Kohn is being irresponsible when he asserts that a more black and white picture exists than it does.

Perhaps, though, as the two example studies suggest, there is actually less difference in opinion than it first appears. The field must first decide exactly what it is measuring for comparison. Is it the effect when reward has been presented and removed, as in Deci's experiment, or the results during the time that reward is available? Another important point is that CET does not claim that all rewards must have a negative effect on intrinsic motivation; this contention is more the result of quick generalizations made by others. In fact, CET, even if taken as valid, is only relevant to those activities that have a high intrinsic motivation to begin with. This in and of itself is a point to which businesses should take heed when reviewing this information. They need to determine at what level their employees are likely to be motivated at the onset. Additionally, the theory itself, as Deci, Koestner, and Ryan point out in their 1999 meta-analysis, has limitations. If a reward is seen as informative more than controlling it can be motivating even within the confines of CET. Therefore, even in the more negative outlook at rewards, the question is not really are rewards intrinsically demotivating but rather – what factors can cause a reward to be perceived as controlling rather than informative?

Another great limitation to the studies that have been done in this field is the sample sizes commonly used. Often the studies in this matter include too small of a population size to be reliable for generalization. This is particularly problematic since this concept has entered our everyday, practical lives. Larger studies are needed before any true and reliable proof is evident that can be acted upon. Multiple meta-analysis of the experiments from the 70's, 80's and 90's have been conducted, but these don't provide much further assistance as they come to the same disparate conclusions as the initial studies (Deci, Koestner, & Ryan, 1999; Cameron & Pierce, 1994; Cameron, Banko, & Pierce, 2001). Part of this may be due to the statistical analysis used in these compilations during which outliers are removed from the results. The outliers removed tended to be studies incongruent with the authors' viewpoint. Another method to extend understanding of this question would be to analyze these meta-analysis papers to see if any reason for their differing conclusions can be identified and resolved.

What does seem apparent from this review is that even those theories and studies that decry the use of tangible rewards do not, upon closer review, demand the absolutely abstaining from them. In fact, they serve more as a warning that tangible rewards, like anything else in business, must be used wisely and carefully in order to obtain the results desired. Most important is to remember that employees have a control in their relationship with their place of employment and companies are best served by being respectful and helpful to their employees. It would be irresponsible of companies to, as the saying goes, put all their eggs in the “financial reward” basket. A much wiser approach would be for companies to research the varied methods available to them and determine which are preferred by employees – thereby enabling them to synthesize multiple motivational approaches.

Research Methods

An interesting point to note in the aforementioned studies is that they have chosen to conduct their research in such a way as to withhold a full understanding from their subjects. This is a common practice and holds to a certain set of logic as the researchers want to reach as objectionable a conclusion as possible. On the other hand, the fact that such contention still exists in the field after forty years could indicate that the information desired is not easily acquired through experimentation. It is seldom easy to access our internal thoughts and desires.

This paper’s approach to research on this subject is based on two suppositions. First, for most companies overall motivation, whether intrinsic or extrinsic, is what is sought. Although it would be idyllic for employees to all work from an internal drive and interest, it is not realistic and in most cases we can assume that companies are most concerned with creating a drive in their employees regardless of its source while also not engaging in practices that reduce their employee’s motivation. Secondly, in cases where what is desired to be known is internally sourced, a strong starting point is to survey. Even if we do not receive the full objective story, there is still information and insight to be gleaned from the answers respondents provide.

In order to gain such insight for analysis, a survey that contained only close-ended questions to gain quantifiable answers was provided to 17 participants via an anonymous online portal. The first section of the survey included basic demographic information including gender, age (given within 5 year ranges), marital status, ethnicity, and number of children. Due to the small sample size of this research project, this information was not used during analysis – but it could prove useful in a larger continuation of the study to determine if any demographic differences exist in regards to motivational preferences.

This section was followed by a second demographic section specific to employment. These questions covered salary range, length of time with current company, length of time in current position, and number of times promoted. Again, this information was not utilized during analysis as there was not a large enough data pool to do so, but it has the potential to give further insight into the subject. For instance, it could answer whether employees who rank salary as highly important tend to have higher salaries in their jobs. Similarly, it could be reviewed whether employees who laid emphasis on promotional opportunities tended to have been promoted with a higher frequency. It would also be interesting to determine if employee motivational rankings show any trends of change based on length of tenure with the company.

The following section of the survey gave common motivational factors, both financial and non-financial, and asked employees to rank them in the order they view them as being able to motivate them. Participants were directed not to focus on their current job but to look at the list in terms of their general ability to influence. The intention of this ranking was simply to gain insight into how employees view the different option available to employees; it would be assumed that the higher priority an item is given, the more a company should strive to promote it in the workplace.

After ranking the motivational factors, the participants were asked to review the same factors and to rate on a scale to what degree they would agree that those factors exist within their current place of work. The goal of this question was to look for consistency between what they have stated to be of importance and what they attest are their current working conditions. Do employees believe their offices have the characteristics that they consider motivating? If these were not in agreement, it could raise an interesting avenue of discussion and research to determine why employees are staying in jobs they have not identified as motivating. On the other hand, if they reported finding those items they ranked highly in their office, this would seem to corroborate their initial rankings and give employers further impetus to include these items in their work environments.

The last section of the survey dealt specifically with financial bonuses. It focused on three types of financial incentives which had also been included within the earlier rankings section. The first was non-merit based bonuses – automatic bonuses that are given regardless of any performance standard. An example given for this type of bonus was a Christmas bonus. The second type of bonus was merit-based on a group or the company meeting a goal. The last type of bonus was also merit-based but focused on the individual in question meeting a performance standard. For each, the participants were asked whether they viewed these types of bonuses as a source of motivation, a method for the company to control employees, both, or neither. This question specifically called back to Deci's 1971 viewpoint within CET that financial incentives are likely to be seen as controlling by employees and therefore not motivating. What kind of results would be found when employees were asked to self-report on how they perceived different types of financial incentives? A second use of this question was to determine if the criteria for a financial incentive made a difference to employees.

Analysis of Data

As mentioned previously, the sample used for this research was determined to be too small to prove useful in terms of demographic analysis. Therefore, the sections of the survey related to demographic information will not be utilized during analysis. Instead, the participants' responses will be reviewed as a whole.

Motivational Rankings

Table 1. Motivational factors listed in ascending order of average ranking by sample population of 17 participants. A smaller number indicates a higher preference.

Motivational Factor	Average Ranking
Friendly work environment	4.65
Competitive/ Fair Salary	4.76
Interest in the work Itself	6.12
Paid Time Off	6.41
Yearly Review/ Raise	6.71
Stability & Security	6.82
Opportunity for Advancement	7.47
Merit bonus based on individual performance	7.47
Work/Life Balance	8.00
Personal development & Growth	8.24
Recognition /Praise Given Privately	8.82
Merit bonus based on group/ company performance	9.00
Automatic non-merit financial bonuses	10.12
Recognition/ Praise Given Publically	10.41

The following sections will discuss the information listed in Table 1. Interestingly, the most highly ranked motivational factor was a friendly work environment. This could prove quite useful to organizations as creating a warm and inviting workplace is something that does not need to require a particular financial expenditure on their part. Or it could also direct companies to funnel some of their financial resources towards activities and events that create rapport and a community feeling in the workplace. It would appear that companies should not underestimate the power that comes from their employees simply liking each other and feeling liked in return. This could also be a consideration during the hiring process as it indicates that managers should take into consideration the demeanor of potential new employees and weigh whether they would be deemed a fit to the company's culture.

Coming in to a close ranking with a friendly work environment was receiving a competitive and fair salary. With an average of 4.76, this outranked other financial options to the employees surveyed. Companies would be well served to determine how their salary offerings compare to other equitable job positions available to their employees. Bringing people in at salaries either on par with or higher than other options could be an avenue for ensuring that employees feel treated well and driven to provide the type of work that would keep them in good standing with their employer.

Interest in the work itself was ranked of third highest importance. It is not always possible for all work at a company to be made interesting, so emphasizing this area could be more difficult in some circumstances. Managers could, however, make an effort to determine the interests of their employees. By doing so, they may find creative options to expand their employee's roles and integrate more of those items for which they have a particular enthusiasm. This would be another method of rewarding and motivating employees without incurring an additional financial cost to the company.

Some of companies have begun looking for other avenues to reward their employees that don't include increasing salaries or giving financial bonuses. This would appear to be supported by the results of the survey since paid time off was ranked fourth highest and therefore higher than any of these financial incentives. Employees may see paid time off as more attractive since it is giving a financial benefit of a sort while also increasing the employee's free time. If it is within the company's power to offer further time off benefits, this could prove a strong method for attracting and retaining productive employees who may not be able find similar offerings at other companies, particularly in the U.S. where it is commonly known that vacation time lags behind other countries. This type of benefit could also be worked into a reward structure – tying performance goals to the opportunity to earn additional vacation hours.

Another point of interest is that the rankings seemed to place opportunities for advancement on par in importance with financial bonuses based on meeting individual performance goals. Again, as companies look to find creative ways to motivate their employees that don't require additional financial strain, they should look at how they can create a work structure that gives employees methods for moving forward and growing with the organization. Reversely, were companies to have positions that they were not able to associate with the promise for advancement, they may be able to offset any effects this could have on productivity and motivation by providing financial rewards tied to the employee's personal performance.

In regards to financial bonuses, individual merit-based bonuses were preferred to group-based bonuses. Both of these were identified as being more motivating than bonuses given arbitrarily with no tie-in to performance of any kind. This falls in line with the results gathered later in the survey - which are discussed in a following section.

Praise and recognition were not ranked particularly high with employees, which may prove disappointing to managers as this is a simple method they can use to reward their employees. It should not dissuade employers from including this practice but rather be understood that this type of reward is not likely to act as a strong substitute for more highly regarded items such as a strong salary and friendly work environment. When using this, it would appear that employees seem to enjoy praise given to them in a personal and private manner more than public praise. This could indicate that public praise is offset for many people by embarrassment or awkwardness towards being called out in a public manner or it may mean that employees simply find private recognition to be more sincere. As employees rank their yearly review and associated raise much more highly, employers could strive to remember to include recognition within this framework as well.

One final note of analysis in regards to these results would be that work/life balance was not ranked particularly high by the respondents. This could be due to the fact that they are paid an hourly wage and therefore receive overtime. Additionally, the nature of their jobs allows them almost complete freedom from their positions outside of the office – they do not expect to be reached by e-mail or phone to weigh in on work issues and needs once they have left. Therefore, the importance of work/life balance may be of less import to this group than to an employee who does not receive overtime and is more accessible outside of the office.

Perception of Motivational Rankings within the Workplace

Table 2. Tally of 17 respondents when asked whether they agree that the motivational rankings exist in within their current workplace.

	Friendly work environment	Competitive/ Fair Salary	Interest in the work Itself	Paid Time Off	Yearly Review/ Raise	Stability & Security	Opportunity for Advancement
Positive	**13**	**12**	**8**	**14**	**11**	**8**	**9**
Neutral	2	4	6	3	5	6	4
Negative	2	1	3	0	1	3	4
Average Ranking	4.65	4.76	6.12	6.41	6.71	6.82	7.47
Ranking Position	1	2	3	4	5	6	7

	Merit bonus based on individual performance	Work/Life Balance	Personal development & Growth	Recognition/ Praise Given Privately	Merit bonus based on group/ company performance	Non-merit financial bonuses	Recognition /Praise Given Publically
Positive	**10**	**10**	**9**	**12**	6	7	**10**
Neutral	5	6	4	2	**7**	**9**	2
Negative	2	1	4	3	4	1	5
Average Ranking	7.47	8.00	8.24	8.82	9.00	10.12	10.41
Ranking Position	8	9	10	11	12	13	14

During the survey, respondents were given the options of strongly agreeing/disagreeing or simply agreeing/disagreeing with whether they felt a particular motivational factor existed in their current place of employment; they were also given the option to neither agree nor disagree. These responses were then consolidated to capture their more generalized feelings and are shown in Table 2 along with the before summarized average rankings. There was no indication from the data received that employees are willing to work in places that do not provide those items they find most motivating. Overall, their responses seemed to be in agreement with what they answered as being important to them. The only items that did not receive a positive majority response were merit-based group/company financial incentives and non-merit based bonuses. Since these were two of the lowest ranked motivational factors, it would not raise an alarm or a question to see that many employees did not see them as being supplied in their jobs.

Perceptions towards Financial Incentives

Table 3. Responses from 17 participants in regards to their viewpoint on the motivating and controlling aspects of various types of financial incentives.

	Financial Bonus Type		
	Non-merit	Merit, Group	Merit, Individual
A personal source of motivation	4	6	**12**
A method for the company to try to control employees	0	0	0
Both	3	**7**	3
Neither	**10**	4	2

In the final portion of the survey, participants were asked to look at their attitudes towards financial incentives and to report whether they found them to be motivating, controlling, both, or neither. Their responses are summarized in Table 3. This question circles back to viewpoints that theorize financial incentives will be viewed as controlling and therefore demotivating. There was no support found for this belief. No respondents found financial incentives of any kind to be solely controlling and not motivating. Interestingly, a small majority found merit-based bonuses based on group performance to be both controlling and motivating.

There was a strong division between group and individual based incentives. Twice as many respondents found individual based bonuses to be simply motivating. Also in line with this, more than twice the employees found group based bonuses to be both controlling and motivating in comparison to responses for individual based bonuses. These numbers also continued into those respondents who replied that they found the bonuses neither controlling nor motivating – again, there was twice as many who felt this way about group-based bonuses compared to individual-based. This gives a strong impression that employees have a far more positive view on a financial incentive when it is only linked to their own performance. Companies should keep this in mind when designing their compensation model; if they choose to include performance-based pay, employees prefer not to be viewed as a group.

There was no strong regard towards financial incentives given that were not related to performance. About an equal number of respondents found these types of rewards motivating as did those that found them both motivating and controlling. However, the majority of participants did not find them to be motivating or controlling at all. It would not appear that these are a strong avenue for companies to explore when looking for ways to motivate their employees to greater productivity.

Ideas for Further Research

The largest weakness of this study is simply its size. Although the responses of the participants point to interesting methods for companies to pursue when it comes to motivation, it would take a much larger sample to confirm that these responses apply on a general level. Further responses could also open up more avenues for analysis. The demographic information gathered will prove more useful when it can be included in analysis. Questions such as whether gender plays a role in what motivates employees could be reviewed and this could increase the insight and understanding companies have of their employees. Furthermore, it would be interesting to see how position in the company affects responses – are managers motivated by different factors than their employees? If so, it would be useful for them to realize this so that they model their behavior off their employee’s preferences rather than their own viewpoints. Another point of focus could be job description or industry – are salespeople motivated in the same way as customer service representatives? Do employees of the advertising industry differ from those in medicine? By gathering further responses, much more could be learned or confirmed.

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Appendix

Example of survey given to participants

1. Gender:

- Male
- Female

2. Age range:

- 20-24
- 25-29
- 30-34
- 35-39
- 40-44
- 45-49
- 50+

3. Marital status:

- Single
- Married
- Divorced
- Widowed

4. Ethnicity:

- White/Caucasian
- Black/African-American
- Hispanic/Latino
- Asian
- Other (Please Specify):

5. Number of children:

6. Length of time in current position:

*Years (please enter "0" if needed)

*Months (please enter "0" if needed)

7. Length of time with current company:

*Years (please enter "0" if needed)

*Months (please enter "0" if needed)

8. Number of times promoted within the company:

9. Level of income:

- Less than $20,000
- $20,000 - $29,999
- $30,000 - $39,999
- $40,000 - $49,999
- $50,000 and above

10. Rank the following items in terms of their ability to motivate you in the workplace. This should not be limited by your current experience but based on their potential to motivate you.

Competitive/fair salary

Recognition/praise given privately

Recognition/praise given publicly

Interest in the work itself

Opportunity for advancement

Personal development and growth

Stability and security

Paid time off	
Work/life balance (e.g. not working overtime, leaving work at the office)	
Automatic non-merit financial bonuses (e.g. Christmas, end of year bonuses)	
Merit financial bonus based on group or company performance (e.g. related to company profits)	
Merit financial bonus based on individual performance (e.g. related to meeting personal goals)	
Yearly review/raise	
Friendly work environment	

11. Rate how much you agree or disagree that these factors exist in your current workplace:

	1 Disagree	2 Slightly disagree	3 Neither agree nor disagree	4 Slightly agree	5 Agree
Competitive/fair salary	●	●	●	●	●
Recognition/praise given privately	●	●	●	●	●
Recognition/praise given publicly	●	●	●	●	●
Interest in the work itself	●	●	●	●	●
Opportunity for advancement	●	●	●	●	●
Personal development and growth	●	●	●	●	●
Stability and security	●	●	●	●	●
Paid time off	●	●	●	●	●
Work/life balance	●	●	●	●	●
Automatic non-merit financial bonus	●	●	●	●	●
Merit financial bonus based on group or company performance	●	●	●	●	●
Merit financial bonus based on individual performance	●	●	●	●	●
Yearly review/raise	●	●	●	●	●

Friendly work environment ● ● ● ● ●

12. Do you find non-merit related financial bonuses:

- A personal source of motivation
- A method for the company to try to control employees
- Both
- Neither

13. Do you find merit related group financial bonuses:

- A personal source of motivation
- A method for the company to try to control employees
- Both
- Neither

14. Do you find merit related individual financial bonuses:

- A personal source of motivation
- A method for the company to try to control employees
- Both
- Neither

Full Data of Respondents

Full Data of Respondents

Annotated Bibliography

Bandura, A. (1997). Self-efficacy: The exercise of control. New York: W. H. Freeman and Company.

This book details Bandura's theory of self-efficacy and his social cognitive theory. This theory, very simply stated, says that rewards make us believe more in our abilities, our self-efficacy, which therefore increases our intrinsic interest in the task. This theory would imply, then, that financial rewards can actually increase intrinsic motivation.

Cameron, J., & Pierce, W. D. (1994). Reinforcement, reward and intrinsic motivation: A meta-analysis. *Review of Educational Research, 64,* 363-423.

The main objective of this meta-analysis was to determine if a pattern could be found within the numerous studies made regarding the effect of reward on intrinsic motivation. The paper proposed that the discrepancies in results were due to the methods of the rewards. Rewards that were only loosely tied to performance were causing a decrease in intrinsic motivation. Rewards that relied on meeting a standard (either an absolute standard or a normative standard) were found to either have no effect or a positive effect on motivation.

Cameron, J., Banko, K. M., & Pierce, W. D. (2001). Pervasive negative effects of rewards on intrinsic motivation: The myth continues. *The Behavior Analyst, 24,* 1-44.

The main result of this analysis was that rewards can have many different effects on intrinsic motivation. Positive effects were found when rewards were explicitly tied to success compared to performance standards. Negative effects were shown for rewards that were only loosely tied to behavior.

This meta-analysis also distinguished between high and low interest tasks so as to be comparable to Deci's meta-analysis. The assertion here is that level of interest is not particularly crucial because the application of these findings is being used in real life situations wherein high interest is not implied.

Cameron, J., Pierce, W.D., Banko, K.M., Gear, A. (2005). Achievement-based rewards and intrinsic motivation: a test of cognitive mediators. *Journal of Educational Psychology. 97*(4). Retrieved February 2, 2012, from EBSCOHost database.

This study found that achievement rewards increased intrinsic motivation. This was a 2x2 study. It consisted of two levels of reward in the learning phase and the test phase – an achievement reward and no rewards.

Deci, E. L. (1971). Effects of externally mediated rewards on intrinsic motivation. *Journal Of Personality And Social Psychology, 18*(1), 105-115. Doi:10.1037/h0030644. Retrieved February 3, 2012, from EBSCOHost database.

This study had participants working on a puzzle. The reward was $1 per puzzle completed. In the first session there was no reward for anyone and free time was introduced. In the second session, there was the introduction of the reward for the test group and then free time. In the third session, there was no reward and then free time. Rewards were found to increase time on the task when present but then times decreased to a level lower than the original when removed. Deci believed

that this showed that reward (removal of reward) decreases intrinsic motivation. There was a variance in the control group's times but no explanation was provided.

Deci, E. L., Koestner, R., & Ryan, R. M. (1999). A meta-analytic review of experiments examining the effects of extrinsic rewards on intrinsic motivation. *Psychological Bulletin*, *125*, 627-668. Retrieved February 3, 2012, from EBSCOHost database.

Cognitive Evaluative Theory: Intrinsic motivation is fueled by a need for autonomy and a need for competence. Rewards for activities with high initial intrinsic motivation can decrease intrinsic motivation. Rewards can be perceived as either controlling or informative. Controlling rewards are tied to performance standards. These are thought to negatively affect intrinsic motivation because they reduce the feeling of autonomy and control. A reward is considered informative when it increases the person's feelings of competence. The increased feeling of competence has a positive effect on intrinsic motivation. Based on the dual possibilities in a reward, it could have both a negative (controlling) and positive (competence) effect on intrinsic motivation. Therefore, the final result is based on the balance of the two factors.

This particular meta-analysis was performed by those who have a strong siding with the belief that external rewards have a negative effect on intrinsic rewards. Their conclusions state "careful consideration of reward effects reported in 128 experiments leads to the conclusion that tangible rewards tend to have a substantially negative effect on intrinsic motivation, with… limiting conditions." A deeper review of their findings in regards specifically to tangible rewards gives insight into the limiting conditions to which they refer. In regards to tangible, task-contingent rewards, they advise that those rewards with a strong informational lean can be positive. An informational tangible reward would be less authoritative and provide choice on how to complete the task while highlighting the interesting aspects of the task.

Eisenberger, R. (1992). Learned industriousness. *Psychological Review, 99*, 248-267.

Theory of learned industriousness: A reward for high effort creates a secondary reward connection for people. This then causes them to be more willing to exert a higher effort in the future. In contrast, a reward for low effort will reinforce an inclination to a low effort. Linking rewards to increasingly challenging tasks will create a positive association for people who will then choose more challenging tasks. Linking rewards to stagnant, moderately challenging tasks will result in people preferring these types of tasks.

Eisenberger, R., Rhoades, L., & Cameron, J. (1999). Does pay for performance increase or decrease perceived self-determination and intrinsic motivation?. *Journal Of Personality & Social Psychology, 77*(5), 1026-1040.

This paper covers three studies that looked at the relationship between reward for high performance and perceived self-determination and motivation. The following results were found:

- Reward increased expression of task enjoyment, free time spent looking at cartoons, and perception of freedom of choice
- Perceived competence and perceived self-determination have a positive relationship with task enjoyment but no positive relationship was found with free time use
- Reward for an absolute standard had a greater effect than the normative standard.
- Strong performance-reward expectation increased perceived autonomy.
- The increased perceived autonomy was positive correlated to perception of the company caring about and valuing employees, mood, and performance.
- The greater the desire for control, the stronger the positive relationship between performance-reward expectancy and intrinsic motivation.

Herzberg, F. (2003). One more time: How do you motivate employees? [Electronic version]. *Harvard Business Review, 81*(1), 87-96.

Motivation-hygiene Theory: Job satisfaction and job dissatisfaction are separate entities that are not opposites (their opposites are the lack of satisfaction/dissatisfaction). As such, they are influenced by separate factors. The factors related to dissatisfaction, hygiene factors, are external things such as "company policy and administration, supervision, interpersonal relationships, working conditions, salary, status, and security" (92). Factors related to satisfaction are called motivators and are internally located – "achievement, recognition for achievement, the work itself, responsibility, and growth or advancement" (92).

Herzberg's theory rests on the compilation of multiple studies that include 1,685 employees in ranging levels of employment and industries. The qualitative survey they used in this study asked people to describe those work experiences that resulted in high job satisfaction or job dissatisfaction. These responses were then categorized into one or more of the above factor groups. Based on these categorizations, it was found that 81% of job satisfaction responses came from motivators while 69% of job dissatisfaction responses came from hygiene factors.

Herzberg cites a second study in which the jobs of an experimental group of stockholder correspondents were vertically loaded (i.e. enriched in line with the above motivating factors). A quantitative survey was given to them and a control group prior to the change to measure their level of motivation. After six months, it was found that the experimental group had almost doubled in productivity whereas there was only a small difference in the control group. The experimental group also had lower absenteeism and was promoted more frequently. Lastly, the groups were given the quantitative survey regarding motivation again. The control group showed no statistical change whereas the experimental group had gone from a mean score of 37 to 55 (the test had a max of 80).

Jordan, P. C. (1986). Research notes. Effects of extrinsic reward on intrinsic motivation: A field experiment. *Academy Of Management Journal, 29*(2), 405-412. doi:10.2307/256195. Retrieved

February 5, 2012, from EBSCOHost.

This study attempted to bring the experimental findings of the reward/intrinsic motivation into the field. It provided reward contingent on performance and not contingent on performance. The conclusions drawn from the results were that rewards contingent on performance decreased intrinsic motivation while rewards not contingent on performance increased intrinsic motivation. Some issues with the study were a small sample size, it was not a random sampling, an inability to control other stimuli and factors that could have affected intrinsic motivation.

Kohn, Alfie. (1993). Why incentive plans cannot work. [Electronic version]. *Harvard Business Review, (71)*5, 3-7.

Kohn makes the argument that rewards bring only temporary compliance but, like punishments, have no lasting effect as they are not addressing underlying attitudes. He refers to (but does not go into detail) about 24 studies that have concluded that people who expect a reward don't perform as well as those who do not. He refers to a 1982 study of 90 major US companies that showed no difference in return to shareholders when there was an incentive plan for top executives. He mentions a Rothe study that showed an increase in production at a wielding company after an initial slump. He also mentions a meta-analysis by Guzzo from the 1980's that showed no significant relationship between incentives and productivity. Kohn makes 6 assertions:

1. Pay is not a motivator
2. Rewards punish – feeling controlled gains a punitive quality, those who don't receive the reward feel punish
3. Rewards rupture relationships – reduces cooperation between team members if they have to compete
4. Rewards ignore reasons – they don't look for the underlying problems
5. Rewards discourage risk taking
6. Rewards undermine interest – refers to Deci/Ryan theory that rewards cause a lack of control, rewards build the assumption that the action is not something we would want to do innately

Lepper, M. R., Greene, D., & Nisbett, R. E. (1973). Undermining children's intrinsic interest with extrinsic reward: A test of the "overjustification" hypothesis. *Journal of Personality and Social Psychology, 28*, 129-137.

Attribution theory and overjustification hypothesis: When people are rewarded for performance they begin to identify their motivation with the external reward. This causes them to shift their identification from internal motivation and interest in the activity to the external reward. This shift in perception causes a decrease in internal motivation.

Lepper, M. R., Keavney, M., & Drake, M. (1996). Intrinsic motivation and extrinsic rewards: A commentary on Cameron and Pierce's meta-analysis. *Review of Educational Research, 66*, 5-32.

Expansion of attribution theory: Rewards for success can increase motivation. In these cases, the increased sense or perception of competence from the reward is what increases the motivation.

Pierce, W., Cameron, J., Banko, K. M., & So, S. (2003). Positive effects of rewards and performance standards on intrinsic motivation. *The Psychological Record, 53*(4), 561-579. Retrieved February 2, 2012, from EBSCOHost.

- 2x2 factorial design – 3 rounds
    - Reward, no reward ($1 per correct puzzle)
    - Constant standard (3 puzzles per round), progressive standard (1, 3, 5 puzzles per round)
- 60 undergrad, puzzles
- Result: More time spent during free time by progressive reward group. The setup of the test was slightly different as there was a learning phase (untimed) and a test phase (timed) followed by the free time.

Stewart III, G.B., Appelbaum, E., Beer, M., Lebby, A.M., Amabile, T.A., McAdams, J., Kozlowski, L.D., Baker III, G.P. & Wolters, D.S. (1993). Rethinking rewards. [Electronic version]. *Harvard Business Review*, *71*(6), 37-46.

This article covers the opinions of experts of industries to Kohn's article regarding the ineffectiveness of incentive programs. Descriptions of each response are below.

Stewart references communism of an example of a failed attempt to remove the direct correlation between work and payout. "But for pay to mean anything, it must be linked to performance. Without that link, pay becomes nothing more than entitlement, a job nothing more than a sinecure." (37). Stewart states that Kohn relies on small samples while larger examples of the power of incentives are everywhere around us. For instance, people respond to monetary incentives when spending their money – there is a logic, then, in assuming they also respond to monetary incentives when earning it. Stewart believes in linking incentives directly to the performance of the particular department for which the employee works.

Eileen Appelbaum agreed with Kohn and the belief that it is important to review the psychological responses to financial incentives. " Productivity and performance improve the most when work is reorganized so that employees have the training, opportunity, and authority to participate effectively in decision making; when they have assurances that they will not be punished for expressing unpopular ideas; when they realize that they will not lose their jobs as a result of contributing their knowledge to improve productivity; and when they know that they will receive a fair share of any performance gains (38).

Beer also agrees in principle with Kohn. He sees the dependence on financial incentives as being primarily based in the US and UK (with less prevalence in Japan and the continental UK). He sees managers using compensation as a crutch rather than dealing with underlying issues or investing time and effort into employees. His largest concern is with the lack of solution provided by Kohn – if not compensation, then what? Particularly, what should be done in those industries (e.g. sales) that are strongly reliant on financial incentives and rewards? Beer believes that sometimes incentives are still appropriate but that it is best to start out paying employees a fair wage and not to correlate incentives to quarterly or yearly output. He also suggests promoting the top 10-15% while terminating the low performers.

Lebby: Studies come out every year that show financial rewards are lower ranked motivators to employees than things like sense of accomplishment and recognition. Most companies simply find it simpler to show recognition through money than rewards. Our incentive programs are leftover from the manufacturing age. Businesses need to focus on giving employees the tools needed to do their job.

Amalie believes that Kohn needs to differentiate between bribes and equitable compensation. Sometimes rewards can increase involvement. It is true that if people feel controlled they'll lose motivation, but people don't always feel controlled by the money they receive. Many see their salary as the company's recognition of their contribution. Amalie also criticizes Kohn with not providing alternatives to financial incentives.

McAdams, with 20 years' experience in creating reward structures, does not agree with Kohn. He cites a large study, Capitalizing on Human Assets, that surveyed 1 million people and reviewed 432 compensation structures. It was found that rewarding groups of employees resulted in a mean gain of 3:1 over the cost of the program. The feedback from both employees and management was positive. We should be applauding companies who are sharing a larger portion of the profit with their employees, not viewing this in a negative manner.

Kozlowski, the CEO of Tyco, cites his own company's incentive plan as an example of why he doesn't agree with Kohn. At Tyco, profits are directly tied to the shareholder returns – the higher the profits, the higher return. Following the same line, the more money employees make for shareholders, the more incentive they return. Additionally, incentives are not capped so that a true achieving spirit is encouraged. Incentives are tied to the business unit the person is involved with, so that the incentive doesn't feel distant.

Baker states that we shouldn't abandon incentives but that we should instead learn how better to use them. Kohn actually displays the power of incentives to influence behavior – we just need to better harness that power. Incentives can be used to promote team work. They can also promote creativity if developed correctly. They should be contingent on results rather than behavior – thus leaving the employee free to innovate.

Wolters contends that Kohn's stand is too absolute. Just because some aspects of incentive plans or the way in which some incentive plans have been implemented caused issues doesn't mean we should get rid of incentive plans in general. First, incentive plans cannot conflict with company messages. Secondly, they shouldn't be treated as a substitute for good management and training –

employees can’t perform without these things. Incentive programs must also have follow through – employees are more likely to become jaded when they don’t receive expected compensation. They also need to be objective, within the employee’s control to obtain, and equal to the effort the employee is making. Although it is great to talk about the positive attributes of intrinsic motivation, it is not always available in employees and not always possible to create.