Money serves as an incentive due to its fungibility with other desirable outcomes such as consumer goods and services. Thus, the use of monetary rewards to motivate employees and increase productivity has become an organizational regularity. While research shows that money can serve as a powerful motivator in the workplace, the use of money might be associated with several problems. First, motivating employees requires substantial amounts of money, as small amounts may actually result in decline of motivation. Second, while money increases extrinsic motivation to perform, it hinders extrinsic motivation. And third, performance-based monetary payments may influence good performers, but it might demotivate adequate performers. In 3 field experiments, we address these problems, and examine the effect of different types of incentives and different implementations of incentive programs to motivate employees to increase productivity. The theoretical and practical implications about the effect of incentives on motivation and productivity are discussed.

You are invited!