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For Best Results, Forget the Bonus

By Alfie Kohn

"Do this and you'll get that." These six words sum up the most popular way in which American business strives to improve performance in the workplace.

And it is very popular. At least three of four American corporations rely on some sort of incentive program. Piecework pay for factory workers, stock options for top executives, banquets and plaques for Employees of the Month, commissions for salespeople — the variations go on and on. The average company now resembles a television game show: "Tell our employees about the fabulous prizes we have for them if productivity improves!"

Most of us, accustomed to similar tactics at home and school, take for granted that incentives in the workplace are successful. After all, such incentives are basically rewards, and rewards work, don't they?

The answer, surprisingly, is mostly no. While rewards are effective at producing temporary compliance, they are strikingly ineffective at producing lasting changes in attitudes or behavior. The news gets worse. About two dozen studies from the field of social psychology conclusively show that people who expect to receive a reward do not perform as well as those who expect nothing. This result, which holds for all sorts of rewards, people and tasks, is most dramatic when creativity is involved.

Are rewards as ineffective inside the workplace as they are outside it? Apparently so. Despite decades of widespread reliance on pay-for-performance schemes, I know of no controlled study demonstrating that rewards improve the quality of workplace performance on a long-term basis.

At a Midwestern manufacturing company, for example, an incentive system that had been in place for years was removed at the request of the welders' union. Now, if a financial incentive motivates people, its absence should drive down production. And that is exactly what happened — at first. But after the initial slump, the welders' production rose and eventually reached a level as high as or higher than before.

Of course, these studies — no matter how numerous — are hard for most of us to accept. After all, "Do this and you'll get that" is part of the fabric of American life. From gold stars to candy bars, we have faith in rewards' redemptive power.

A closer look, though explains why incentive plans not only do not succeed, but cannot succeed:

Rewards punish. Even executives who understand that coercion and threats destroy motivation may fail to recognize that the same is true of rewards. Punishments and rewards are not really opposites. They are two sides of the same coin, and the coin does not buy very much.

Like punishments, rewards are manipulative. “Do this and you’ll get that” is not very different from “Do this or here’s what will happen to you.” The reward itself — a bonus, say — may be desired, but it is contingent on satisfying terms someone has imposed. Sooner or later, this sense of being controlled feels punitive.

Rewarding people is similar to punishment for another reason. When people do not get the rewards they were hoping for, they feel punished. And the more desirable the reward, the more demoralizing it is to miss out.

Rewards rupture relations. Research and experience show that excellence depends on teamwork, both because of the exchange of ideas it fosters and the climate of social support it creates. But the scramble for rewards — particularly when they are made scarce, creating competition — destroys this valuable cooperation.

Relationships between supervisors and workers, too, can collapse under the weight of incentives. If a supervisor wields sanctions, of course, employees will be about as glad to see that person coming as they would be to glimpse a police car in their rear-view mirror. But even if the supervisor is a rewarder, the effect is essentially the same. Incentive-driven employees will not ask for help when they need it. Instead, they will conceal problems to appear infinitely competent, or they will resort to flattery.

Rewards ignore reasons. To solve productivity problems, executives must understand the causes. Are workers unable to collaborate effectively? Is long-term growth being sacrificed for short-term gain? Each situation calls for a different response. But incentive plans offer a one-size-fits-all answer that ignores what lies behind the questions.

Rewards deter risk-taking. When people are offered incentives they are less inclined to take risks, explore possibilities, play hunches or attend to anything whose relevance to the problem at hand is not immediately evident. In a word, the No. 1 casualty of rewards is creativity. The proof: a dozen psychological studies showing that the more people are led to think about rewards, the more they prefer easy tasks. Why? Not because of laziness, but because incentives encourage concern about what one is going to get.

In short, “Do this and you’ll get that” makes people focus on the “that,” not the “this.” Do rewards motivate people? Absolutely. They motivate people to get rewards.

Rewards undermine interest. Loving what you do is a more powerful motivator than money or any other goody. No surprise there. What is surprising is that goodies actually undermine personal motivation. The more an executive gets employees to think about what they will earn for doing their jobs well, the less interested they will be in what they are doing. Edward Deci, a University of Rochester psychologist, did pioneering studies on this effect in the early 1970’s; his findings have been corroborated many times since then.

How does this happen? One explanation is that rewards are controlling. If people are led to think about getting a bonus, they start to feel their work is no longer freely chosen and directed by them. And to feel controlled is to lose interest. Another explanation is that the reward makes the work seem distasteful. “If they have to bribe me to do it,” a person might figure, “it must be something I don’t want to do.”

Whatever the reason, rewards turn play into work and work into drudgery. Worse, when rewards corrode intrinsic motivation, workers have no other reason to put out an effort. This pattern, in turn, confirms supervisors’ beliefs in the need for incentives. It is a self-fulfilling prophecy.

Small wonder, then, that a growing number of executives are scratching their heads over the failure of their reward programs. Typical is an August article in a leading human resources journal: "Why No One Likes Your Incentive Plan."

Unfortunately, most executives believe the problem lies in the particulars of their program, and so they devise new variations on the same behaviorist theme. Countless consultants live handsomely from devising yet more ways to compute bonuses, for instance. Others persuade employers that team incentives are the way to go, or that they need to reward quality, not quantity.

But all these fixes miss the point. Trying to correct the trouble by revising a pay-for-performance program makes as much sense as treating alcoholism by switching from vodka to gin.

The problem is not with compensation, per se, but with pushing money into people's faces by offering more of it for this or that. The more closely pay is linked to achievement, the more damage is done.

If rewards do not work, what does? I recommend that employers pay workers well and fairly and then do everything possible to help them forget about money. A preoccupation with money distracts everyone — employers and employees — from the issues that really matter.

Those issues might be abbreviated as the three C's of quality: choice, collaboration and content. Choice means workers should participate in making decisions about what they do. Collaboration means they should be able to work together in effective teams. Content refers to the job's tasks. To do a good job, people need a good job to do.

Doing these things is much more difficult than dangling goodies in front of workers. But manipulating behavior by offering rewards, while a sound approach for training the family pet, can never bring quality to the workplace.