

Incentives: Why or Why Not?



Linda Rising

linda@lindarising.org

lindarising.org

[@RisingLinda](#)

<https://www.linkedin.com/in/lindarising/>



Why ask this question?

Russian scientist Ivan Pavlov (mid-late 1800s) showed animals could be trained to anticipate reward using cues.

This approach (behaviorism) would dominate Western psychology for the next 50 years.

Using carrots and sticks to get desired behavior still persists.

Pavlov's Famous Dog



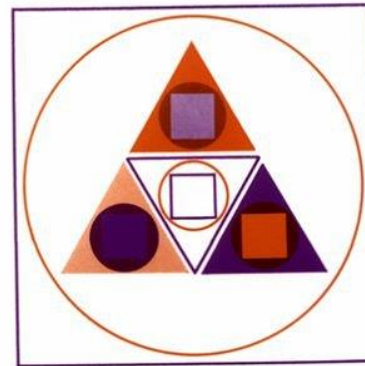
Who is this guy?



Frederick Winslow Taylor


The Principles of Scientific Management

Frederick Winslow Taylor



"Taylor's book is not merely the precursor of modern organization and decision theory, it is in many respects its origin... A seminal work: an often misinterpreted work; and an indispensable source of administrative theory."

— Arch T. Dotson, Cornell University



“Work consists of mainly simple, not particularly interesting, tasks. The only way to get people to do them is to incentivize them properly and monitor them carefully.”

Pretty much true in early 1900s – but now?



Why do we still follow Taylorism?

- Many managers still believe in Taylor's notions of efficiency, finding the "best" way to perform a task.
- We buy into it when we feel guilty for daydreaming or not working heads down for long periods of time ☹️! (A plug for my Thinking tutorial 😊!)



Enter Harry Harlow

Experiment in 1949 with rhesus monkeys.

**Performance of the task was its own reward –
“intrinsic” motivation.**

Big shift from biological and extrinsic motivation.

**Further experiments showed that giving rewards
decreased motivation.**

**Results ignored by scientific community for TWO
DECADES ☹️!**



The Ultimatum Game

In pairs of subjects, Player A is given money (e.g. \$10) and makes an offer to Player B. If B accepts offer, both keep the money. If B rejects offer, both get nothing.

Typically, low offers (e.g. \$2) are rejected because they are seen as not “fair.”



Fairness Counts – even with monkeys 😊!

<https://www.youtube.com/watch?v=meiU6TxysCg>



Benefits (?) of incentives

In a program sponsored by Pizza Hut that promises free pizza to children to induce them to read, children were likely to pick short, simple books, plow through them quickly rather than coming to appreciate the pleasures of reading.

Teresa Amabile - HBS



Unintended consequences

Fat kids who don't like to read.



Do Rewards Motivate Students?

The answer is, “Absolutely!” They motivate students to get rewards, often at the expense of interest in, or excellence at, whatever it is they are doing.

Teresa Amabile




Tangible rewards undermine intrinsic motivation

Economists and workplace consultants regard it as almost unquestioned dogma that people are motivated by rewards, so they don't need to test this. It has the status more of religious truth than scientific hypothesis.

The facts are absolutely clear. There is no question that in virtually all circumstances in which people are doing things in order to get rewards, extrinsic tangible rewards undermine intrinsic motivation.

New Scientist, April 9, 2011.



No individual, no government, is ever going to be as smart as the people who are scheming against you. When you introduce an incentive scheme, no matter how clever you think you are, there's a good chance that someone cleverer than you will find a way to beat the incentive scheme.

Steve Levitt - *Freakonomics*



Dan Ariely

- Experiments with small, medium, and large bonuses show negative correlation with performance of complex tasks. Those offered medium bonuses performed no better, or worse, than those offered small bonuses. Those offered the largest bonus did worse than the other two groups across all tasks.
- Results shown to Stanford MBA students & executives at large companies—all failed to intuit negative correlation.
- Even educated, intelligent, high-level individuals continue to believe the larger the bonus, the more effective.



Any positive results at all?

Only for simple, mechanical, assembly-line tasks, or when incentive and result are close, e.g. –

Google - pays for exploiting its browser

Zappos - \$3K bonus to quit



Loss aversion works

One group of factory workers told they would receive a bonus if they met a target.

Second group told they had “provisionally” been awarded a bonus but would “lose” it if they failed to meet the target.

Second group worked harder to meet target.

**Tanjim Hossain, University of Toronto & John List,
University of Chicago**



Rewards for Physical Activity

- Group A given \$42. \$1.40 taken away each day they didn't exercise.
- Group B given \$1.40 each day they exercised.
- Both compared with a control group (no reward).
- Group A framing emphasizes loss
- Group B framing emphasizes reward.
- Reward-framing same as control.
- Loss-framing increased number of times people reached their exercising goals by 50% compared with the control group and the reward-framing.



Giving an 'A'

Suppose we gave every student an 'A' at the beginning of every class and told them that as long as they continued to do what was expected they would keep that grade?

Rosamund Stone Zander and Benjamin Zander *The Art of Possibility*



A word from Neuroscience

The pleasure center in the brain is activated by financial compensation.

The altruistic center, involved in cooperation, is located in a different area of the brain.

Cannot activate both centers at the same time. When there is conflict, the pleasure center wins hands down.

Studies have shown that when rewards are on the line, people are less helpful toward others.

Do all animals need a sense of purpose?



Lego Robot Experiment



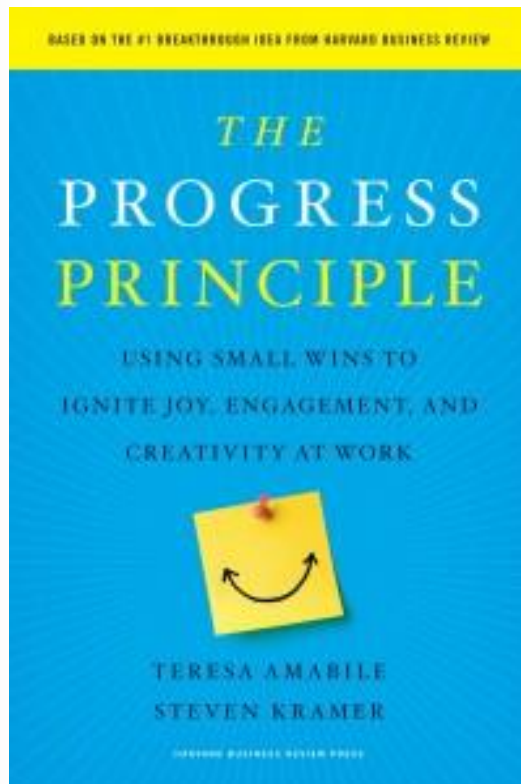


Killing the Joy

If you take people who love something and place them in meaningful working conditions, the joy they derive from the activity dictates their effort. If you take the same people with the same initial passion and desire and place them in meaningless working conditions, you can kill any joy they might derive from the activity.

Dan Ariely

Progress in meaningful work



Of all the events that can deeply engage people in their jobs, this is the single most important.



Important findings

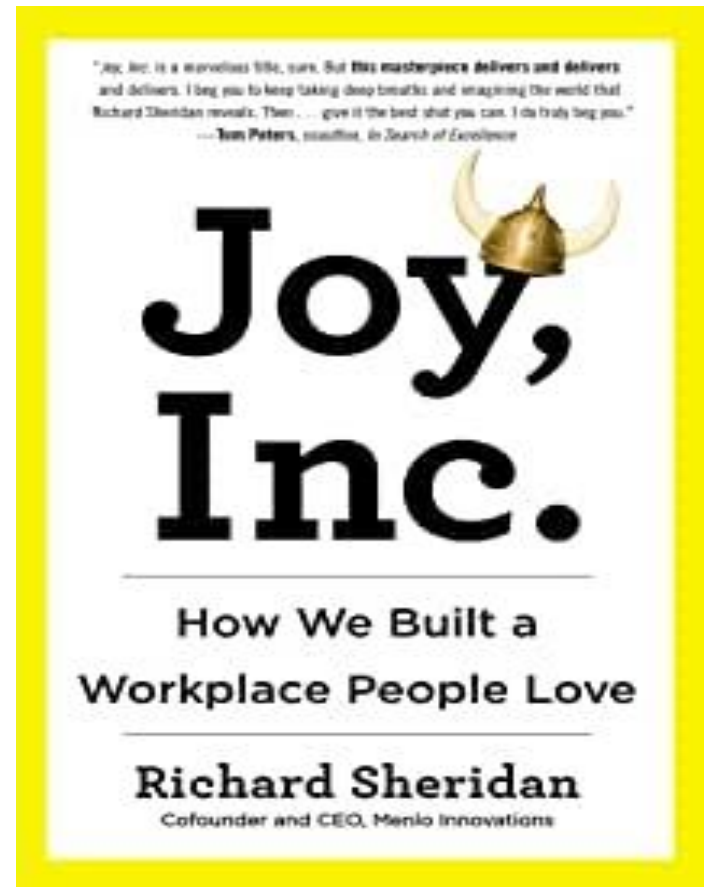
- 1. Work is important to most of us**
- 2. Better “inner work life” leads to more creativity, productivity, commitment to the work, collegial to co-workers**
- 3. Local environment and immediate boss are more important than corporate politics**

Menlo Innovations

menloinnovations.com/

Software design and development should be a joyful experience.

To achieve this joy, we have changed everything.





Next Steps

- **It's not about carrots and sticks.**
- **It's about purpose. It's about making progress in meaningful work. It's about joy.**
- **Look for small wins – these are powerful.**
- **Listen to your team – that alone is beneficial.**
- **Stay open. Keep learning.**
- **Have a grateful heart.**
- **Thanks for listening 😊!**