



## CHANGING EMPLOYEE BEHAVIOR: DO EXTRINSIC MOTIVATORS REALLY WORK?

THERE ARE MANY CRITICISMS LEVELED AT REWARD AND PUNISHMENT. IS  
THERE STILL A PLACE FOR THEM?

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The 'carrot or the stick' is an image that persists from bygone days of carts drawn by recalcitrant mules. To keep the cart moving, the driver used two tools – a carrot dangled before the nose of the beast and a stick supplying the occasional blow from behind. Imagine the consternation of the hapless cart driver were he to learn from psychologists that external, *extrinsic* motivators, such as the carrot and the stick, are not effective means for changing behavior. Instead, only an internal, *intrinsic* commitment to act because we find an action inherently enjoyable or fulfilling can deliver meaningful and lasting motivation. In other words, the mule has to want to change.

However, despite the criticisms leveled at extrinsic motivators, when applied correctly, they can be effective in altering behavior. We just need to understand *what* kinds of extrinsic motivators work and *how* managers can use them effectively to help change employee behavior.

### **Positive and negative motivators**

Extrinsic motivators come in two forms: Positive (money, prizes, praise, recognition) and negative (criticism and punishment). Some experts maintain that if you use extrinsic motivators, only positive rewards can change behavior. Yet, there is strong evidence that both types of motivators can be useful parts of a manager's toolkit. Below, we look at some of the most common criticisms of extrinsic motivators and check what the evidence has to say.

Criticism #1 – Money does not motivate: Research shows that financial rewards appear to be most able to motivate people in lower-paying, less-complex jobs. Money is generally better at motivating people to achieve greater levels of effort and quantity of work than improving quality. Research also shows that once bonuses reach a certain level, additional increases do not result in better performance. Though there are caveats to consider, the claim that money cannot motivate people is overstated.

Criticism #2 – Rewards kill intrinsic motivation: Some suggest rewards may reduce how much people enjoy a task and, eventually, their level of effort. Yet, in some circumstances, carefully chosen external rewards can *increase* intrinsic motivation, e.g. *pro-social* rewards, in which people are rewarded with money to give to their charity of choice. Praise and criticism, if offered with information about how to improve performance, can also improve feelings of intrinsic motivation.

Criticism #3 – External motivators can have negative side effects: Rewards can run the risk of focusing people on specific targets or behaviors at the expense of other goals and factors, while criticism can reduce performance and harm confidence levels. The way individuals respond to both positive and negative incentives depends largely on the situation, the individual and the structure of the incentives. One can motivate individual achievement while still promoting teamwork and collaboration, for example, by giving financial or non-financial rewards that the receivers then use to recognize others who helped them accomplish a task. The potential negative side effects of criticism can be managed by paying attention to context. For instance, while novices typically respond better to praise, people who are more experienced seem to improve their performance more after criticism. Criticism may also work better than praise in situations where people are close to achieving a goal or when coupled with constructive suggestions for how to improve performance.

Criticism #4 – Rewards and punishments do not last: The concern here is that managers may become dependent upon external motivators. However, studies show that the key to avoiding this seems to be making sure that extrinsic motivators are paired with other things that support lasting behavior change.

### **Using extrinsic motivators effectively**

Five simple rules stand out for obtaining the most from extrinsic motivators:

Rule #1: Praise first, money last

Intangibles, such as praise and recognition, are free and can be as effective as money. If you use financial rewards, try using non-cash prizes whenever possible.

**Rule #2: Punishments should be rare, collaborative and predictable**

When rewards alone are inadequate to change behavior, punishments can be effective. Some companies have been successful by involving employees in selecting the punishment, gaining buy-in for why it is necessary, and ensuring that penalties are triggered in a transparent and consistent way for all employees.

**Rule #3: Align incentives with the situation**

Match the incentive with the kind of behavior it is intended to motivate. For example, negative incentives (i.e. punishments for unsafe practices) can better motivate 'prevention-focused' behaviors (e.g. reducing accidents). Positive rewards such as bonuses are more appropriate for spurring 'promotion-focused' behaviors such as reaching sales targets.

**Rule #4: Be fair and consistent**

Perceptions of fairness, which impact the effectiveness of an incentive, are enhanced by giving evidence of why a reward or punishment was warranted, treating all people the same with regard to the incentive, and ensuring that the behavior triggering the reward or punishment is within the control of the individual.

**Rule #5: Get the timing right:** Rewards and punishments are most effective when given immediately after a behavior occurs. Such "spot bonuses" work best when they are frequent but unpredictable. Unexpected rewards are generally more motivating.

**Bringing intrinsic and extrinsic motivation together**

Intrinsic motivation is probably the right approach for motivating productive behaviors over the long run, but we must not forget that there is a place for external reward and punishment. The impact of both intrinsic and extrinsic sources of motivation is enhanced when a combination of the two is used. Extrinsic motivators may be especially useful, for example, in the early days of changing people's behavior until it becomes a habitual part of their routine.

Motivation is not the sole factor involved in changing behaviors. Without the abilities and supporting environment needed to succeed in and sustain change, behavior modifications are prone to being unstable or incomplete. Addressing motivation is, however, a critical first step on the change journey. And, as any cart driver will tell you, a deft hand with both carrot and stick can help make the trip a little smoother.

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