Motivation, incentives and organisational culture

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Abstract

Purpose – The purpose of this paper, drawing as it does on earlier research, is to provide the context for a discussion on the use of rewards and recognition programmes in knowledge aware organisations.

Design/methodology/approach – The paper shows that knowledge sharing is the fundamental requirement of a knowledge-based organisation. Some of the greatest challenges for organisations moving down the knowledge management path stem from well-established practices of hoarding knowledge, practices which, in the past, have been well rewarded. Employees’ motivation was to hoard knowledge because of the competitive advantage that this would give them. The challenge now is to develop an organisational culture where sharing knowledge is the norm. In seeking ways to foster this culture managers are implementing incentive programmes in the belief that employees will be motivated to share their knowledge across the organisation. Some organisations are investing large amounts of organisational resources towards this end. This paper uses the results of the earlier research to provide a context for an examination of the use of rewards and recognition programmes in the knowledge aware organisation.

Findings – The paper finds that reward and recognition programmes can positively affect motivation, performance and interest within an organisation. While a little more problematic, team-based incentives, if designed appropriately, can also encourage and support a range of positive outcomes. But research has yet to reveal whether programmes of this type will influence employees to share their knowledge and learning. Neither is there any research-based evidence to show that these activities do provide the expected or hoped for return on the, sometimes, large amounts of money that organisations invest in them.

Research limitations/implications – While there is a strong history of research into the impact of rewards on aspects of employee behaviour including motivation and performance, no research to date has investigated the impact on knowledge sharing.

Practical implications – The paper suggests that managers who are relying on rewards and recognition programmes as part of their strategies for cultural change need to support research programmes so that they can be confident that the large amounts of resources they are investing for this purpose will bring the return they think.

Originality/value – This paper provides the context for a discussion. It shows that while organisations are investing in reward and recognition programmes, research on the value of such programmes as factors that motivate knowledge sharing has not been explored empirically.

Keywords Knowledge sharing, Knowledge management, Culture, Motivation (psychology), Employees

Paper type Research paper

Introduction

Some of the greatest challenges for organisations moving down the knowledge management path stem from well-established practices of hoarding knowledge, practices which, in the past, were well rewarded. Employees were motivated to hoard knowledge because of the competitive advantage this gave them personally within their organisation. People reasoned that if knowledge provides the organisation’s source of competitive edge, then it also provides the individual’s competitive edge within the organisation. From the perspectives of the employees, organisations are now asking them to share the very thing that earns them the positions they hold and their hope of financial reward and advancement.
The challenge for managers is to develop an organisational culture where these feelings can be overcome and the sharing of knowledge and learning becomes the norm.

Currently, many organisations are implementing or planning to implement, reward and/or recognition programmes believing that these will help bring about the desired cultural change. In some organisations, large amounts of money are being invested in these types of activities and some managers are required specifically to set aside a certain amount from their budgets for this purpose. This rationale is based on the assumption that these types of incentives will encourage employee loyalty, foster teamwork and ultimately facilitate the development of the desired culture that encourages and supports knowledge sharing.

Buckman, for example, described the movement towards knowledge sharing as a journey of cultural change that, like most journeys, has its pioneers and its laggards. “As the train begins to move down the track you need to let everyone know where it’s going and help them get on board. Those that board early and do well, you reward”. Others maintain that to encourage knowledge-sharing organisations should design reward and recognition systems that stimulate sharing of all kinds: goals, tasks, vision as well as knowledge (Wright, 2004). There is a large body of literature, including research literature, on rewards and recognition programmes. Many of the studies focus on the effects of rewards on task interest and performance and are found in the literature concerned with motivation: both intrinsic and extrinsic motivation. In intrinsically motivated behaviour there is no reward except with the task itself. Reward and recognition programmes come within the discussion on extrinsically motivated behaviour that occurs when an activity is rewarded by incentives not inherent in the task (Deci, 1971, p. 105).

But despite this body of literature, there has been no significant research that shows a causal link between managers providing incentives to their employees to share their knowledge and their employees being so motivated by the incentive. Can anything therefore be gained from an exploration of this earlier work? I believe it can because of what we can learn about human motivation in general and about the nature, purpose and impact of, what are generally referred to as, reward and recognition programmes. In addition it provides an important underpinning for future research that does aim to seek a causal link.

Understanding what motivates employees is one of the key challenges for managers. Although it is not possible directly to motivate others, it is nonetheless important to know how to influence what others are motivated to do, with the overall aim of having employees identify their own welfare with that of the organisation (Bruce and Pepitone, 1999, p. 132).

By drawing on the research that is available, it can be argued that such programmes do send a message to employees that knowledge sharing is valued. However, even so, people are not in universal agreement that such programmes provide the desired results. Denning (2001) warns that while the establishment of rewards for individual knowledge sharing activities can signal the importance of knowledge sharing, it also runs the risk of creating expectations of rewards for behaviour that should be part of the normal way of conducting business in the organisation.

This paper seeks to bring together some key literature on reward and recognition programmes with a view to inform the current debate on the relationship between such programmes and knowledge sharing. It examines the role of rewards in organisations, the issues surrounding the rewarding of teams, the importance of rewarding the desired behaviour and managing the reward process. It concludes by highlighting the need for new research to explore the possible causal links between reward and recognition programmes and knowledge sharing.

**Defining the concepts**

Although often discussed in tandem, the terms “rewards” programmes and “recognition” programmes do refer to different concepts. In general terms rewards programmes come within the overall concept of compensation strategies which are defined as the “deliberate utilisation of the pay system as an essential integrating mechanism through which the efforts
of various sub-units or individuals are directed towards the achievement of an organisation’s strategic objectives” (Gomez-Mejia and Balkin, 1992). They are management tools that hopefully contribute to a firm’s effectiveness by influencing individual or group behaviour (Lawler and Cohen, 1992, p. 8). All businesses use pay, promotion, bonuses or other types of rewards to encourage high levels of performance (Cameron and Pierce, 1977).

However, Moss Kanter (1987, p. 65) added another dimension to this discussion when she noted that in many organisations rewards are differentiated on the basis of status (rather than contribution) and, often, the only way an individual can increase his or her pay is to get promoted. This usually motivates them to “look out for themselves” rather than improve their overall contribution.

While “recognition” is still an important management tool it is slightly different. Usually it is a non-financial award given to employees selectively, in appreciation of a high level of behaviour or accomplishment that is not dependent on achievement against a given target. Recognition can be as simple as giving someone feedback on what they have done right, or just saying “thank-you”. It is about acknowledging effort, commitment and learning, even if the outcomes were not as planned and it is also about, most importantly, celebrating successes.

It is generally accepted that incentives such as rewards and recognition programmes are used in the belief that they will reinforce an organisation’s values, promote outstanding performance and foster continuous learning by openly acknowledging role model behaviour and ongoing achievement. Both types are dependent on managers recognising the subordinates’ achievements whether as individuals or as part of teams.

Within the literature it is evident that the distinctions implied in these definitions are not always maintained. Many writers use the more generic “rewards” as an umbrella term to cover both types. When citing the work of others this paper follows the convention adopted in the original. So in some cases the term “rewards” is used to imply both “reward and recognition”. The still more generic term, “incentive programmes”, is possibly a better term to use.

Research

As already noted, not all writers agree that incentive programmes have the hoped for positive outcome and some go as far as indicating that they can undermine productivity and performance (Denning, 2001). When an employer offers a reward for performance, these writers suggested that employees begin to perform the task for the external reward rather than for intrinsic reasons. Because of this, perceptions of self-determination are said to decrease and motivation and quality of performance decline. In recent years this view has gained popularity (Kohn, 1993; Powell, 1998, p. 6).

However a significant study, based on an extensive meta-analysis of 25 years of earlier research that examined rewards and performance, refutes the argument that rewards undermine both motivation and performance. This research found that, generally, people enjoy activities or tasks more when they receive a reward and the argument that rewards undermine performance and interest is not supported by the experimental data. It concluded that rewards could be used effectively to enhance interest and performance (Cameron and Pierce, 1997).
Cameron and Pierce also investigated whether different types of rewards and recognition have different effects. To assess this possibility they analysed studies that used either verbal or tangible rewards. Verbal rewards involved giving participants praise or positive feedback for their work while tangible rewards involved giving money, tickets to a theatre, certificates or other similar rewards. Cameron and Pierce, concluded that praising people for their work leads to greater task interest and performance and that tangible rewards also enhance motivation when they are offered to people for completing work or for attaining or exceeding specified performance standards. In summarising the results from the experimental literature they examined, Cameron and Pierce noted that rewards increase performance and interest when they are:

- Made contingent on quality or performance or are given for meeting clear standards of performance;
- Made contingent on challenging activities;
- Given for mastering each component of a complex skill; and
- Delivered for high effort and activity.

The authors concluded that rewards are not inherently bad or good for people. They can have negative effects, but these effects are circumscribed and can be easily prevented. In the workplace, careful arrangement of rewards can enhance employees’ interest and performance and this is likely to occur when rewards are closely tied to the attainment of performance standards and to the personal accomplishment of challenging tasks. Their research also suggested that when rewards are linked to specific standards of performance, people are more contented and productive employees.

Lachance (2000, p. 3) has noted that rewards that bind an employee to an organisation have more to do with the way an employee is treated than any particular pay scheme. She suggests that while people may come to work for the pay, but they stay at work for many other reasons. Managers need to acknowledge and manage those other rewarding conditions as part of an overall strategic approach to rewards. Using the term ‘recognition’ as the broader term Lachance further noted that the primary reason recognition works is that fundamentally it is a way to show managers are paying attention and that the power of just noticing cannot be overestimated. “Paying attention” does not simply mean handing out money and a simple “thank you” goes a long way. A big part of motivating people is giving direction and purpose to what they do. By recognising accomplishments when they occur can keep enthusiasm going. It is especially important when a big project is getting underway and the overall goal is a long way off. Stopping to celebrate the milestones, however informally, keeps people working towards a goal.

Other researchers are working in areas that are more closely aligned to knowledge work and knowledge sharing. For example, it has been shown that when rewards are given for creative thinking and performance, people do show generalised creativity in other tasks (Eisenberger and Armeli, 1997, p. 652).

Also, Claman (1998, p. 3) noted that although work has changed, compensation programmes have not. “The current compensation systems do not reward the core competencies of the intelligent career – knowing why, knowing how, and knowing whom but are still based on the industrial economy from which they evolved”. Knowing why refers to a person’s work values - careers are now defined more by the employee and not the employer and “what I want for myself” is important – higher salaries and promotion are not the only medium of exchange and if these are not valued for themselves by employees they will not be motivated to pursue them.

Knowing how relates to the actual medium of exchange in the knowledge economy, knowledge itself. Old skills such as following orders or knowing and applying policies have been replaced by the skills of the knowing how competency of the intelligent career – research skills, strategic thinking skills and skills of personal leadership. Knowing whom
refers to the relationship-building competency that is the set of relationships to which a person contributes and from which they learn.

Public vs private sector issues

While it is true that most discussion relating to reward and recognition programmes refers to the private sector, some significant studies have considered the issues from a public sector perspective. In a paper that examined senior executive pay policies in the Australian public service, Halligan (1994, p. 298) noted that a commitment to the values of public service underscores the attitude towards public service rewards and that public service motivation may be quite complex but remains poorly understood. The rewards of public service contrast with those of extrinsic rewards and senior public servants are often prepared to accept lower pay as a trade-off for the rewards of actually working in the public service.

Findings another Australian study that compared employee responses to individual performance management practices in two culturally dissimilar agencies of the federal public sector raised doubts about whether individual performance pay is appropriate for public sector staff (O’Donnell and Shields, 2002, p. 435).

Other research that investigated the differences in the motivation of private versus public sector managers found that pay has a significantly greater motivating potential for private than public sector managers (Khojasteh, 1993). In addition, while both private an public sector managers were equally motivated by intrinsic reward factors of achievement and advancement the intrinsic reward factor of recognition was ranked as the second most important motivating factor for public sector managers, in contrast, the ranking was very low for the private sector.

These issues are well summarised by Sussels and Magid (2005). These authors have concluded that there are several reasons why, historically, public sector employers have not embraced pay-for-performance systems as readily as their private sector counterparts. For example, in the public sector it is more difficult to quantify or measure output. In the private sector, pay-for-performance rewards are often tied to profit/loss criteria as well as easily measurable production outputs.

In addition, Susseles and Magid (2005) argue, it is often difficult to develop appropriate programmes in the public sector for several structural reasons. First, if employees are represented by labour unions, performance-based pay is, in all likelihood, a mandatory subject of bargaining. Second, the relationship between fiscal outcomes or service delivery outcomes and pay is less direct that in the private sector and finally, since managers often have a difficult time supporting the programme if they have not been adequately trained or do not have timely and accurate data upon which to measure performance and outcomes.

Rewarding teams

Teams, increasingly, are becoming the primary work units and many organisations are also attempting to adopt team-based reward and recognition programmes. Several factors have contributed to the growing popularity of team rewards. One reason is the growing interdependence between tasks (Johnson, 1993, p. 50). Changes in the way work is organised, the flattening of organisations and changing technology have created interdependencies between tasks that often make it difficult to separate the contributions and performance of individual workers (Nickel and O’Neal, 1990, p. 23).

It is not unusual for these types of rewards to be highly visible within the organisation and they convey a high level of organisational approval for those so rewarded or recognised. Acknowledged reasons for using team rewards include that they support a team-based structure, foster co-operation among team members and promote team productivity (DeMattio et al., 1998, p. 144). However, again, many managers are making the assumption that these contribute to the overall development of the desired knowledge sharing culture.

Research in the related field of performance appraisal shows that frequently performance can be more accurately assessed by measuring the success of larger units within the organisation rather than the individual performance (Landy and Farr, 1983). Group level
rewards have also been shown to influence the collective motivation of team members (Shamir, 1990, p. 315), encourage either co-operation or competition among employees (Tjosvold, 1986, p. 520), motivate individual group members and trigger the occurrence of group level behaviour. This can both be critical to the smooth running of the group as well as contribute to organisational effectiveness (Deutch, 1949; Geber, 1995, p. 26). Group rewards can also be linked to the achievement of work-group goals, capitalising on the motivational benefits of goal setting (Lawler and Cohen, 1992, p. 8).

The major motivational shortcoming of group incentives is the difficulty employees may have in seeing how their efforts are translated into group performance measures on which rewards are based. Also, team-based rewards may potentially result in a loss of motivation because of feelings of inequity due to a perceived “free-riding” of other team members and the use of an equality principle when allocating rewards rather than an equity-based principle (Milkovich and Wigdor, 1991).

Other studies have questioned the ability of team rewards to foster co-operation within teams. Wageman (1996, p. 145) found that the level of task independence among group members was positively related to co-operation, helping, job satisfaction and the quality of group process, while the type of reward system – individual rewards, group rewards or both – exerted no independent effects on these criteria. Team rewards may also foster competition between teams and this may mean that teams move into a competitive, rather than a co-operative relationship with other teams with whom they have to interact (Lawler and Cohen, 1992, p. 6).

From the above research it is evident that a major hurdle in designing any team-based incentive programme is to develop one that both sustains team progress and reinforces the team structure (Gross, 1997, p. 48). Moving to a team structure itself, presents many challenges that are not always well met. But as organisations develop work structures that emphasise empowerment and teams their management processes must reflect this and reward the desired behaviour.

When organisations change the dynamics of work from structure driven, that is, organised around individual roles and functions, to process driven and organised around teams, they should change the reward system to support those new dynamics. When work is redesigned, traditional compensation systems often are no longer appropriate and need to be completely rethought. This is not an easy transition to achieve but it can be very important to achieving team success. To gain the benefits of a team-based work environment – flexibility, effective problem solving and a clear focus on results – organisations need to develop a supporting team-based system of reward, one that motivates the right kind of team performance and team behaviours (Saunier and Hawk, 1994, p. 24).

Gross (1997, p. 48) noted seven interrelated areas that team champions need to confront: the starting point is leadership; then values and cultures; work processes and business systems; organisation, team and job design; individual and team competencies; management processes and systems; and finally reward and recognition. Ideally, the challenges should be tackled on all fronts, but, as Gross noted, this rarely happens.

While teams are frequently used as a strategy to involve workers in problem-solving activities with a view to improving performance and productivity and at the same time encouraging greater ownership and responsibility among employees, using teams creates problems for the reward system. It is not easy to design a reward system that recognises both the

“The challenge for managers is to develop an organizational culture where sharing of knowledge and learning become the norm.”
importance of co-operation and the differences in individual performance. Significant problems arise when reward systems of organisations stress individual results even though people work together in teams.

Barnard (1998, p. 55) offers a strategy that includes employee feedback on the system as a means of dealing with the issue. This includes measuring employee satisfaction with the system, gaining team members’ input into its design, and ensuring that there is a method to document performance and reward both individuals and the team.

In an excellent review of the research literature examining team-based rewards, DeMattio et al. (1998, p. 153) conclude by summarising the important issues that need to be considered when designing team-based reward and recognition programmes. Listed, these are:

1. Reward characteristics:
   - reward size;
   - frequency of payout; and
   - reward allocation procedures (equality vs equity).

2. Organisational characteristics:
   - organisational culture;
   - congruence among rewards – strategy and sub-systems; and
   - structural characteristics.

3. Team characteristics:
   - task interdependence;
   - between-team interdependence;
   - team size;
   - team type;
   - team composition; and
   - measurability of team performance.

4. Individual differences:
   - ability;
   - need for achievement; and
   - individualism/collectivism.

They conclude by stating that understanding the effectiveness of team rewards is critical considering that organisations spend as much as half of their operating budgets on payroll related expenses, the potentially powerful role of rewards in shaping behaviour in organisations and evidence that the use of team-based rewards will continue to increase. The issue may not be whether to use team or individual rewards, but how to design team-rewards in a way to maximise the desired outcomes.

**Rewarding the desired behaviour**

A basic issue that may not be well understood, but that managers really do need to understand, is being certain about the type of behaviour they want to reward so they can be sure that their programme actually rewards this behaviour. Kerr (1995) provides numerous examples, from politics, medicine, the military, academia, sport, consulting, business and government, of reward and/or recognition systems that do not work because the type of behaviour that is rewarded is the behaviour that the rewarder is trying to discourage.

The example from sport is well understood. The college basketball player who passes the ball to team-mates instead of shooting will not compile impressive scoring statistics and is less likely to find a place in the professional league. Likewise the baseball player who hits to
right field to advance runners will win neither the batting nor home run titles and will be offered smaller raises. It is rational for the players to think of themselves first and the team second.

It is no different in the world of organisational management. Kerr suggests that managers should first consider the types of behaviour they are currently rewarding. He believes that they will probably be surprised with what they find as they are most likely not rewarding what they assume they are and that any observed undesirable behaviour may be explained largely by the reward system in use.

Kerr’s paper, an updated version of one that was first written over 20 years ago, is considered a “classic” within the management literature. An informal poll of the Executive Advisory Panel for Academy of Management Executive found that the problem Kerr highlighted is still prevalent in corporate America today, and no doubt elsewhere.

The history of performance appraisal shows that this is an area that is fraught with a unique set of difficulties. While rewards and recognition programmes are essentially a different concept from performance appraisal, they do involve some form of measurement or evaluation that can involve either an objective or a subjective approach. Some of the problems associated with performance appraisal apply equally to rewards and recognition programmes. Zigon (1998) suggests that most people interested in measuring performance do so for one of the following reasons:

- you cannot manage what you cannot measure;
- you cannot improve what you cannot measure;
- high performance teams and individuals require clear goals; and
- pay for performance requires metrics.

However, measurement is difficult for at least three reasons:

1. It is not always evident what results should be measured.
2. Even if you know what to measure it is not always clear how the measurement should be done.
3. Teams are made up of individuals, thus measurement must be done at both the team and individual levels.

Rewriting the previous quote for a reward context highlights some of the pitfalls in designing reward or recognition programmes and shows that it is not necessarily a straightforward process.

- You cannot reward what you cannot evaluate;
- You cannot improve what you cannot evaluate;
- High performance teams and individuals require clear goals; and
- Reward for performance requires evaluation.

In addition:

- it is not always evident what results should be rewarded;
- even if you know what to reward it is not always clear how the rewarding should be done; and
- teams are made up of individuals, thus rewarding must be done at both the team and individual levels.

Managing the reward process

In practice, informal incentives in the form of recognition by management and visibility within the organisation can often be more powerful incentives than a formal incentive programme. Great care must be taken to ensure that issues of favouritism do not impact on the reward process.
Appraisal of any type is often a very subjective process. Prendergast and Topel (1996, p. 960) argue that accurate and objective measures of an employee’s performance are typically unavailable. Instead performance is gauged from subjective opinions provided by superiors and this subjectivity opens the door to favouritism where evaluators use their power to reward preferred subordinates beyond their true performance. The harmful effects of favouritism have two implications for the design of rewards. Incentive pay for employees will be de-emphasised and favouritism causes organisations to use bureaucratic rules in pay and promotion decisions.

Barnard (1998, p. 56) provides a summary of important issues that help ensure a successful reward process. These are:

1. Rewards can be used effectively to enhance interest and performance.
2. Rewards do not undermine performance and interest.
3. Verbal rewards lead to greater task interest and performance.
4. Tangible rewards enhance motivation when they are offered to people for completing work or for attaining or exceeding specified performance standards.
5. Rewards given for creativity encourage generalised creativity in other tasks.
6. Reward systems should support the new dynamics of team-based organisations and reward the right kind of team behaviour and performance.
7. Reward systems should recognise both the importance of co-operation and the differences in individual performance.
8. Problems can occur when reward systems stress individual results even though people have worked together in teams.
9. When designing reward systems organisations should:
   - gain employees’ input into the design;
   - measure employee satisfaction with the system; and
   - ensure that there is a method to document performance and reward both individuals and the team.

Implementing a reward and recognition programme

Any such programme must be an intrinsic part of the organisational culture, embedded in policy and in the practice of management who must “walk the talk”. It must be supported by structures and must be highly visible within the organisation thereby giving a strong message that the process itself is valued as well as a strong message that employees and their contributions are valued. Employees also must understand why it is important to recognise each other so there may need to be some development of awareness about the issue.

Supporting structures are particularly important for formal incentives, whether they be for a simple letter of thanks or attendance at a grand formal occasion. A management committee that includes representatives from key areas in the organisation, not just senior management, should co-ordinate programmes of this type. A particular responsibility would be the development of the criteria for the recognition and an ongoing process of evaluation of the programme itself.

Where the practice is embraced and fully integrated into the organisation’s culture it is not unusual to see a mixture of programme types. These include those where colleagues are encouraged to recognise each other in a simple way to the highly visible programmes where individuals are singled out and rewarded and/or recognised by senior management at, sometimes, quite elaborate functions.

It is important to remember that however the programme is implemented, people want to feel that the recognition they receive is sincere, genuine and personal. They need to understand
clearly why they are being recognised, they prefer the reward or recognition to be given by someone who means something to them and they want it to be timely.

Conclusion

From this examination of the literature, particularly that reporting on previous research, it can be concluded that incentive programmes can positively affect motivation, performance and interest within an organisation. While a little more problematic, team-based incentives, if designed appropriately, can also encourage and support a range of positive outcomes. But research has yet to reveal whether programmes of this type will influence employees to share their knowledge or learning. Neither is there any research-based evidence to show that these activities do provide the expected or hoped for return on the, sometimes, large amounts of money that organisations invest in them.

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Further reading


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