

Behavioral Economics Leads to Better Ways to Motivate

Posted By **Denise Hassenstab**, Monday, March 07, 2016

Behavioral Economics Leads to Better Ways to Motivate Have you ever considered how to best motivate employee performance using recognition and reward? Perhaps you want to better engage and inspire employees. Dr. Scott Jeffrey has spent a lot of time researching these questions. He recently spent time with RPI sharing his knowledge and years of research at a webinar called, *The Behavioral Economics of Incentives*.

Behavioral economics combines economics and psychology into one field of study and tells us that we aren't very good at predicting future outcomes. When we try to anticipate how people will react, we come to conclusions that are based on people thinking rationally. Predicting human behavior is far more complicated than that because people are not rational decision makers. We tend to use short cuts and other ways of thinking that make predicting behavior outcomes difficult. As humans, we like fairness and being altruistic, however, how we make a decision with those framed in our minds proves trying.

People may prefer one item over another – cash over a trip to Hawaii, for example – but that doesn't mean that receiving money will motivate them to higher performance. Asking employees which one they prefer isn't how organizations should make decisions on how to motivate employees to higher performance. If we ask employees which they prefer, money is their top choice. Research has shown that giving employees what they want isn't necessarily going to motivate them to work harder and strive for better results.

Here are some of Dr. Jeffrey's findings that he shared:

- Verbal recognition holds no negative consequences. Keep at it!
- When giving cash and non-cash awards, performance suffers after the incentive is removed. If we offer a pizza party for a certain result, for example, performance will decrease after the incentive is removed.
- We can lessen this impact by giving people some, but not too many, choices. If selecting between a pizza party or cupcakes or a longer afternoon break, the outcome and lasting impact improves, but only slightly.
- While not technically cash, gift cards are simply a convenient way to distribute cash. Recipients treat them like cash because they are used to purchase every day household goods like toilet paper and soap or fill up the gas tank instead of used to purchase luxury items.

Recognition has been shown to motivate and improve employee performance. When it comes to cash and non-cash awards (tangible items), we should consider how we reach our goal of motivating our workforce to greater performance. Given Dr. Jeffrey's research, asking employees for their preferences may not be the best way to proceed. For greatest success, we must determine what to offer to help employees feel appreciated, but also to motivate them to increase their effort and achieve higher performance.

Source: Recognition Professionals International