

# Cash may not be the most effective way to motivate employees

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Tangible rewards motivate employees when they're easy to use, pleasurable, unexpected, and distinct from salary, a new study found.

A recent survey of firms in the United States revealed that 84 per cent spent more than \$90 billion annually on tangible [employee](#) rewards, such as gift cards, recreation trips and merchandise in hopes of increasing productivity.

"We found that there is, at best, mixed evidence regarding the motivational efficacy of tangible rewards versus cash rewards," said Adam Presslee, an associate professor at the University of Waterloo's School of Accounting and Finance. "It is somewhat puzzling why so many companies go to the trouble of tangible rewards when cash rewards also lead to motivational differences."

Presslee and his co-author, University of Wisconsin-Madison's Willie Choi, used four experiments to investigate the factors driving the preference between cash and tangible rewards. The attributes examined include ease of use of the reward (fungibility), hedonic nature of the reward (want vs. need), the novelty of the reward, and how the reward is presented.

"Rewards are constellations of attributes, and firms should focus more on the motivational effects of the attributes associated with a reward rather than the reward type itself," Presslee said. "Results confirmed that each of these attributes—individually and in combination—increases employee effort and performance."

The researchers recommend managers interested in motivating employees using tangible rewards would be best served to offer tangible rewards that incorporate these four attributes.

"If for whatever reason tangible rewards are the only tool available, our results show compelling evidence that employees are motivated by rewards that are perceived as distinct from salary," Presslee said.

"Therefore, firms looking to get the most out of their reward programs

should emphasize the distinctiveness of those rewards, and the attributes above are four ways [firms](#) can do that."

The study, authored by Presslee and Choi, was recently published in the journal *Accounting, Organizations, and Society*.

**More information:** Jongwoon (Willie) Choi et al, When and why tangible rewards can motivate greater effort than cash rewards: An analysis of four attribute differences, *Accounting, Organizations and Society* (2022). [DOI: 10.1016/j.aos.2022.101389](https://doi.org/10.1016/j.aos.2022.101389)

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