

## Experimental Evidence Regarding the Use of Public Identification and Incentives in an Employee-of-the-Month Program

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One of the most popular forms of advice given to managers for enhancing employee performance is to implement an Employee-of-the-Month (EOM) program. Some typical statements from two managerial advice books help illustrate this advice:

Another phenomenal motivator is the Employee of the Month Award. Knowing that there's that extra little bit of recognition out there if you try just a little bit harder is what makes people want to work harder. (Bryne & Repp, 2007, p. 16)

You can take it one step further and present the Employee of the Year Award at your annual holiday banquet or party. Think of how motivating it is knowing there's a prestigious award awaiting some hard worker(s) at the end of the year! (Bryne & Repp, 2007, p. 16)

If you have five or more employees, that's enough to start an employee-of-the-month program. This reinforces employee loyalty and results in improved customer service. In many cases it will also reduce turnover because there's always a goal to strive for. (Thomsen, 2011, p. 287)

Your employee-of-the-month program will make working for your business more than just a job to most employees. It's now a place where employees are appreciated and rewarded for the extra effort that really helps a business grow. Employees should always think of their job as a place where their efforts are appreciated. Any money spent here should come back to you tenfold. (Thomsen, 2011, p. 288)

According to the lore of these writers, EOM programs can focus employees on the desired work behaviors, provide exemplar employees for others to imitate, provide an extra incentive to work harder, reduce turnover, publicly recognize superior efforts, build excitement, and enhance the organization's image (Dosunmu, 2012; Dukes, 2012; Feltenstein, 2010; Forsyth, 2012; Morell, 2011; Nomura, 2011; Townsend & Gebhardt, 2007). However, despite the considerable number of authors recommending this program and the diversity of proclaimed benefits, there is a single common element: The lack of citations to back up such bold assertions.

The support for EOM has not been universal. Some authors have suggested that EOM programs are behaviorally unsound and should be avoided (Daniels, 2009; Rose, 2011). However, even though both advocates and opponents make strong recommendations, a review of the literature reveals that there is virtually no empirical evidence to bolster up the arguments of each side.

Given the widespread use of EOM programs in practice, the absence of empirical examinations on the effectiveness of EOM is problematic. To our knowledge, the only exception to this dearth of research is Johnson and Dickinson (2010), which

detailed two experiments simulating an EOM program. The results of the first experiment indicated that receipt of this recognition did not improve performance. In the second experiment, the recognition was enhanced to include a monetary bonus that participants rated as valuable. However, the experimental conditions were arranged so that participants never received the recognition, although they consistently ranked high relative to other performers on their team (whose existence was fabricated, unbeknownst to participants). Similar to the outcomes of the first experiment, performance gains failed to be maintained over the course of the experiment.

As noted by the authors of the article, Johnson and Dickinson (2010) did contain some methodological features that warrant further investigation into this topic. First off, the fabrication of team members is potentially problematic. Although no participants reported being aware that data for fellow team members were fabricated, there is a need for studies to be conducted with actual team members. Furthermore, Johnson and Dickinson used a relatively small sample size and as such, it is plausible that the results are not representative of the population in general. Finally, the recognition may have not been representative enough of actual forms of EOM. In many businesses, winners of EOM often have their photograph displayed for customers and fellow employees to view, a feature absent from Johnson and Dickinson. In fact, public displays are often recommended to extend the scope of recognition for the winner (Nomura, 2011).



Public identification of high contributors may have many potential motivating effects. These include the prestige of being a high contributor, the pride derived from the potential recognition from others, and the intention to signal cooperative behavior to evoke higher contributions from other team members. According to Andreoni and Petrie (2004), players motivated by the positive motives of pride and prestige, so-called 'leaders' or 'example setters', play an important role in determining the behavior of 'followers' in the group. Their impact is particularly strong when they get credit for their high contributions. Thus, the question arises whether an EOM program with public identification also represents an environment that positively affects the contributions of 'leaders' such that these leaders emerge as the EOMs.

The current investigation incorporates a public identification element and addresses the other shortcomings noted above. Specifically, this study examines the incentive effects of an EOM program on the provision of effort by work team members by having the photo of the team member who contributed the most shown to the entire team. Furthermore, this form of recognition will be compared to the use of small monetary incentives.

## METHOD

### Participants

The experiment was run with 72 students and employees of a European university. All sessions lasted about 2 hours. Participants were assigned to one of four groups, with each group consisting of 18 members. No participant took part in more than one group. Within each group, participants were also assigned to six-member teams.

## Dependent and Independent Variables

The dependent variable was the average individual contribution to the team made at each opportunity. The independent variable was the type of recognition available for the team's top contributor.

During the *baseline* conditions, no additional material or immaterial incentives were made available to the team's top contributor. In the *monetary incentives alone* condition, the team member who contributed the most received an additional premium of 3 points (which could be exchanged later for money; approximately \$0.25). In the *photo alone* condition, instead of paying the monetary premium, the photo of the highest contributor was shown on a computer screen to all team members. The *monetary incentives and photo* condition combined the outcomes of the *monetary incentives alone* and *photo alone* conditions.

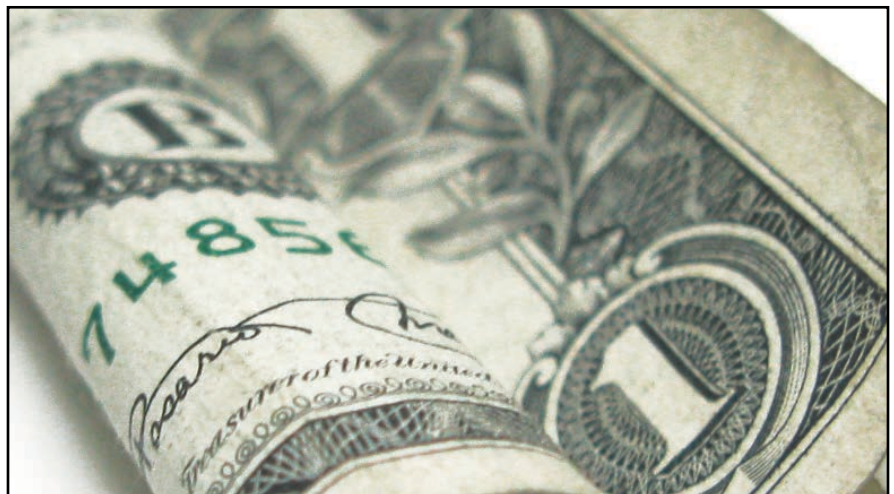
## Experimental Design

Participants in all four groups were exposed to all levels of the independent variable using a multiple treatment reversal design, with A = Baseline, B = Monetary incentives alone, C = Photo alone, and D = Monetary incentives & photo. For two of the groups, participants were exposed to the conditions in an ABCD sequence. The remaining two groups were in an ACBD sequence.

## Experimental Procedure

Within each group (n = 18), all participants were assigned to one of three teams consisting of six team members each. Participants were informed that they were taking part in a study designed to examine decision making. Each time a new condition in the experimental sequence was introduced, team compositions were randomly changed.

Every condition lasted for 8 rounds for a total of 32 rounds (4 conditions with 8 rounds each). The points the participants earned during the 32 payoff rounds were added up and converted into Euros after the experiment. 18 points were equivalent to 1 Euro (\$1.30). The task involved each team member investing an amount into a team project at a private cost. At the time of the decision, the amount invested was kept private. The project's output equaled the sum of all team members' inputs. Contributions were restricted to be an integer between



0 and 40 points. All subjects had to make their decision and enter it into a computer at the same time, not knowing what the other team members would do. The team output was equally split among all team members. In addition, every participant received a fixed amount of 5 points in every payoff round in order to decrease the probability that high contributors bearing high private costs would finish up with a negative net income at the end of the experiment.

The baseline condition leads to the standard problem of free riding in teams. Of research interest is whether material and/or immaterial incentives are able to mitigate this problem.

The investment of points is similar to a situation in which an individual employee invests a certain amount of his or her own time or resources into a team project. Although all employees may receive some return on this investment, only the perceived top contributor receives additional incentives when an EOM program is in place. As such, the top contributor would be receiving the strongest return on their investment, with all other employees remaining largely unrecognized for any extra efforts.

At the end of every round, the team members were informed about the highest contribution amount and about the number of team members who contributed this amount. At the end of every experimental phase, they were told that the teams would be broken up and randomly recomposed for the next eight rounds.

## RESULTS

Figure 1 displays the average contribution across rounds for the first group. This group was exposed to the conditions in an ABCD sequence (A = Baseline, B = Monetary incentives, C = Photo alone, D = Monetary incentives and photo). Figure 2 displays the average contribution across rounds for the second group. This second group was also exposed to an ABCD sequence. Across all four phases there is a downward trend in average contributions for both groups. As both figures illustrate, the level of contributions does increase each time a condition involving monetary incentives is introduced. However, these gains are not maintained by the end of each phase. Introduction of the photo alone condition did not seem to have any impact on contributions for either group.

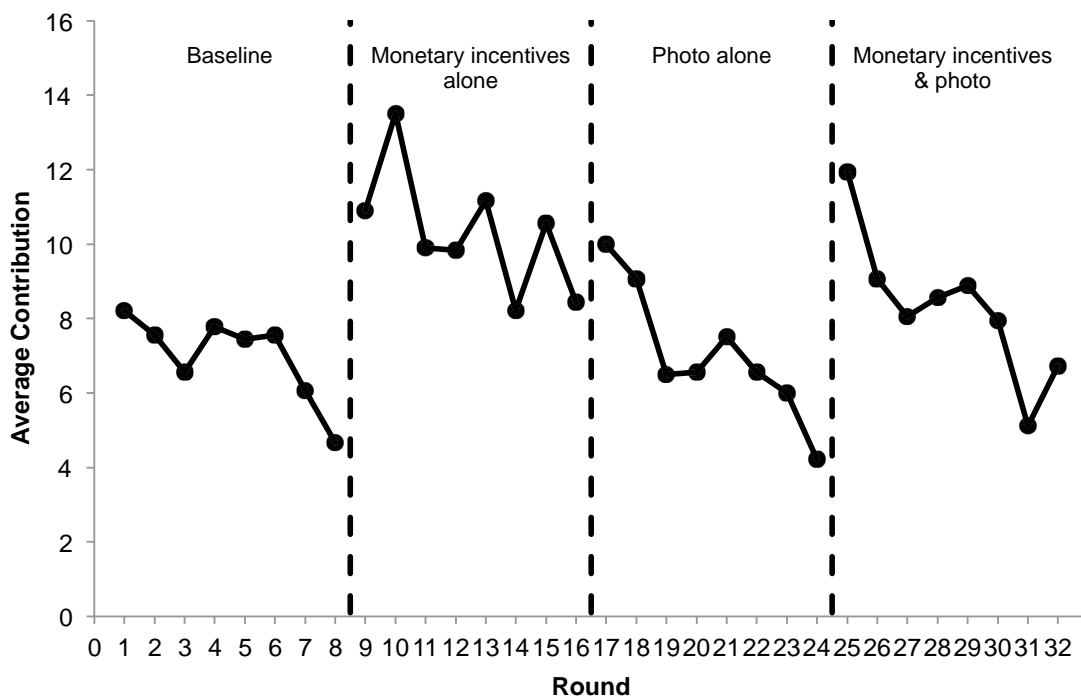


Figure 1. First group: ABCD design

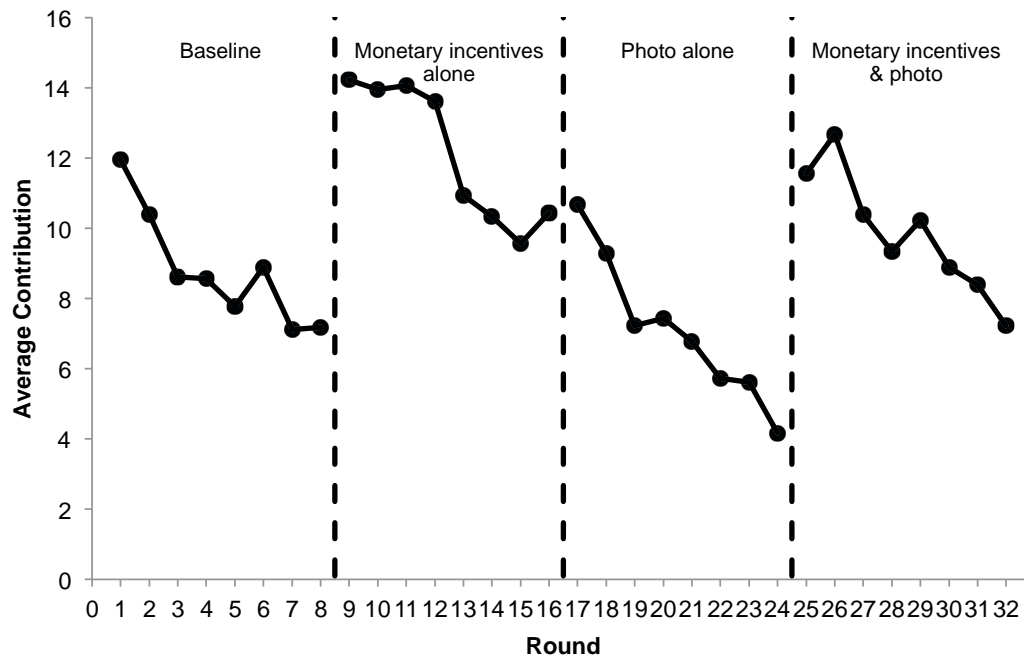


Figure 2. Second group: ABCD design

Figure 3 displays the average contribution across rounds for the third group. This group was exposed to the conditions in an ACBD sequence. Like the previous two figures, there is a downward trend across all four phases. Unlike the previous two figures, the introduction of a photo alone condition does initially boost contributions, although the level of contributions revert to below baseline levels by the end of the phase. Likewise, the initial introduction of monetary incentive alone and monetary incentive with photo conditions initially increase contributions, only to have gains quickly lost as the rounds progress.

Figure 4 displays the average contribution across rounds for the fourth group. Similar to the third group, this group was exposed to the conditions in an ACBD sequence. Also similar to the third group, the initial introduction of the photo alone condition results in increased contributions, which return to baseline levels by the end of the phase. The introduction of the monetary incentives alone condition has similar effects. However, the addition of a photo element to the monetary incentives did not appear to change the level or trend of contributions in the final phase.

A two-tailed Wilcoxon rank-sum test was used to analyze the outcomes. In order to avoid problems of statistical dependence, the individual averages across rounds were used as units of observation in every condition. Thus, there are 72 observations per condition, one for each participant. With regards to the photo condition, the statistical tests reveal that the effect of the photo on participants' contributions is significantly negative at least at a 5% level in comparison to the baseline and incentive conditions. The results of the statistical tests indicate that the small monetary incentives produced higher contribution levels that are significant at least at a 5% level in comparison to baseline and photo conditions.

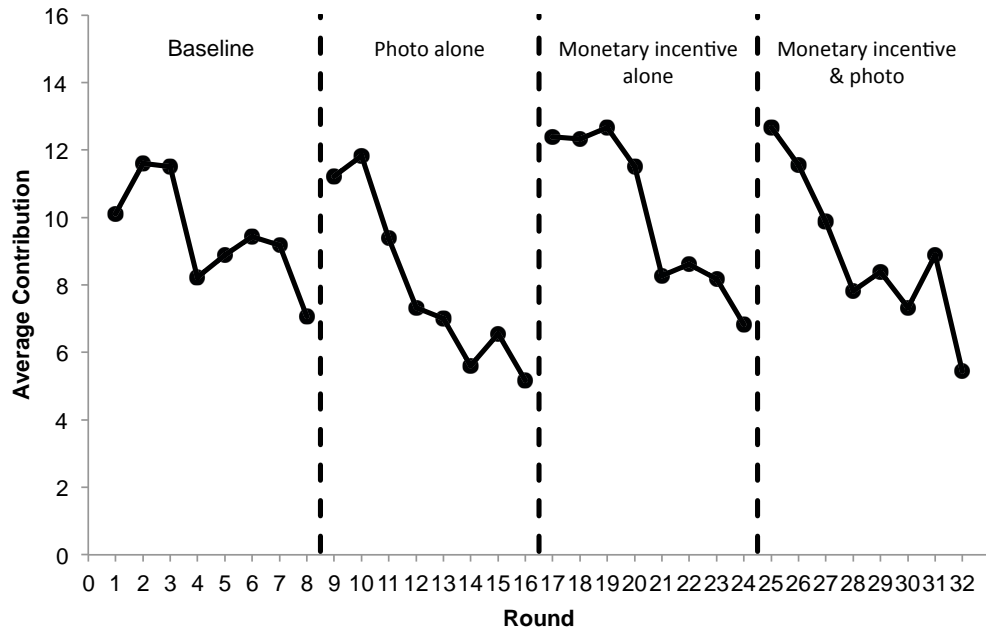


Figure 3. Third group: ACBD design

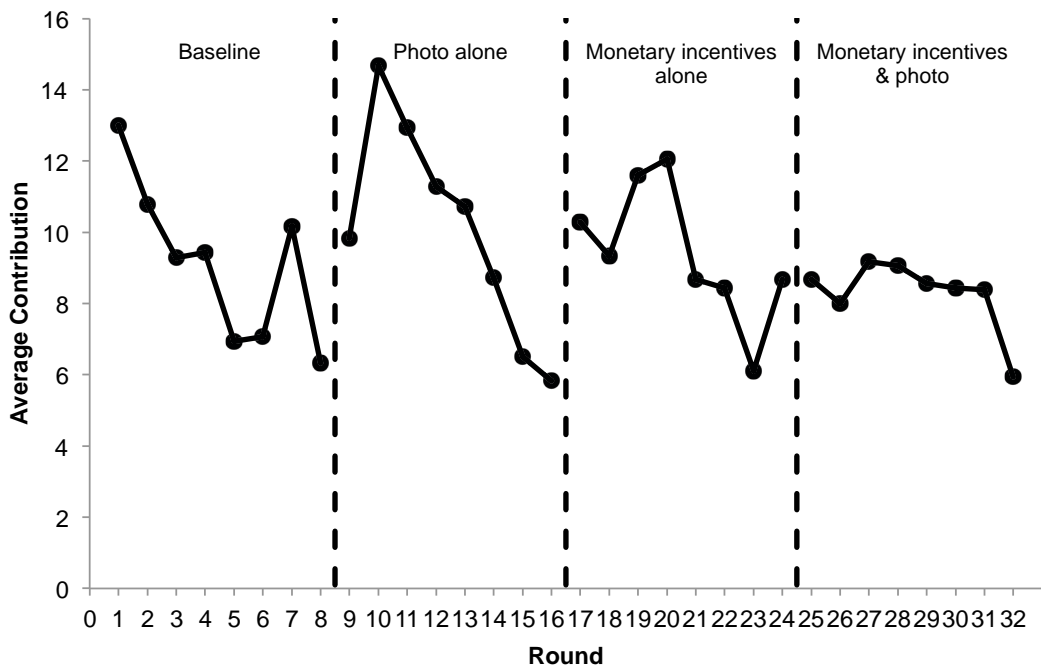


Figure 4. Fourth group: ACBD design

Overall, the photo condition did not seem to have a lasting positive impact for the participants as a whole. However, it is possible that the incentive effect of the photo might differ according to the participants' perception of the photo. Subsequent to the experiment, participants were asked to rate if having their photo was shown was rewarding, neutral or embarrassing. This survey indicated that the majority of the participants (75%) felt neutral with regard to the photo.

## DISCUSSION

Despite the addition of public recognition and using a different experimental setup, this study came to same conclusion as Johnson and Dickinson (2010), namely that Employee-of-the-Month and other similar programs do not sustain improved efforts. Although the introduction of monetary incentives did significantly increase the contribution of individuals, such gains were not maintained across time.

Like every experiment, this study is subject to a number of limitations that need to be recognized. First, the recognition from the other team members might be larger in applied settings than it was in this experiment as the photo was only displayed on the computer screens until the next round, which represents a considerable difference from the usual period of time in actual work settings. Additionally, the participants of our experiment did not get personal contact with their team members or have long-standing social relations with their team members, unlike applied settings. Furthermore, it may be that having a photo displayed may have a suppressive effect with individuals who view the photographic display as embarrassing. Future research may wish to address whether or not allowing individuals to opt out of having their photo displayed may enhance performance. Another shortcoming relates to a confounding variable in the experimental design. Due to the fact that both the membership of teams and the experimental conditions changed simultaneously at the beginning of each new phase, it is difficult to know which variable to attribute changes in performance.

Despite such shortcomings, this study informs practitioners and researchers about the effects of an EOM type of recognition. With respect to the design of incentive systems, the results partially support the well-known positive effects of monetary incentives, although they demonstrate this effect can be lost over time when utilizing an ineffective reward structure such as EOM. The results also imply that an incentive structure like an EOM program is unlikely to have significant positive incentive effects as long as the program only relies on the pride motive of becoming EOM; the results clearly do not show any lasting positive effect from the photo to increase the contributions to the team output. Although more research continues to be warranted, the results of this study suggest that EOM programs are flawed structures that cannot be relied upon for lasting organizational improvements.

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