The authors of two best sellers, Daniel Pink (Drive, 2009) and Alfie Kohn (Punished by Rewards, 1993) received tremendous attention for claims that incentive plans typically fail. Pink said, “pay-for-performance schemes . . . usually don’t work and often do harm.” Kohn claimed, “The bottom line is that any approach that offers a reward for better performance is destined to be ineffective.” Neither author was an academic researcher, but both books were heavily referenced. Their claims have been repeated so often many have come to believe that Pink and Kohn fairly summarized the research evidence.

A sound reading of the research literature leads to different conclusions, including:

1 Monetary incentives generally lead to increased performance. There have been six major reviews of the research literature on incentives in the past 20 years. Every review reached the same conclusion: monetary rewards increase performance. Even academic proponents of the Kohn and Pink position such as Edward Deci concede this.

2 Extrinsic rewards (such as pay) actually can increase intrinsic motivation (that which comes from doing the work) depending on how rewards are implemented. Why might reward systems fail consistently? Kohn, with typical hyperbole, argues, "Possibly the most compelling reason that incentive systems fail is . . . (that) extrinsic motivators not only are less effective than intrinsic motivation but actually reduce intrinsic motivation . . . Furthermore, the more closely we tie compensation (or other rewards) to performance, the more damage we do" (emphasis in original). However, all relevant academic theorists – even academic researchers who provide the evidence that Pink and Kohn cite – agree that negative effects on intrinsic motivation can be avoided by good implementation of incentives.

3 The negative effect of incentives on intrinsic motivation can be manufactured in the laboratory, but the effect disappears in real-world conditions. The vast majority of early studies supporting the intrinsic motivation hypothesis were conducted in laboratory conditions not representative of organizational practice. By contrast, a review of 43 field studies found that incentives actually tend to increase intrinsic motivation in the real world.

4 Poorly designed and implemented incentives can be counterproductive or ineffective. Rewards are powerful and usually work, but rewards certainly can produce negative or unexpected results. Rewards design and implementation are complex, and organizations can make many mistakes. For example, incentives can be based on poor measures of performance or the wrong level of performance (such as teams when individual incentives are appropriate or vice versa). Implementation is even more complex and important than design. Good communication, governance, and training often can overcome poor design, but the reverse is not true.

Popular mythology aside, rewards are powerful motivators of behavior. In fact, the biggest problem in rewards is that managers typically get exactly the behavior that they reward – and that might not be exactly what they want.