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Motivation, money, prestige and cheats

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ABSTRACT

This paper investigates the effects of supervision and incentives on subjects' performance and cheating behavior in a real effort task. With a sample of 540 participants in three different experiments, we investigated the interaction between motivation and monetary and social rewards, with and without supervision. Our results suggest: (1) lack of supervision promotes cheating, though workers tend to cheat moderately; (2) both economic and social incentives increase motivation but only when workers like their jobs; (3) workers do not increase their band of acceptable dishonest behavior for possible economic rewards, but they do increase dishonest behavior for possible social rewards, like prestige.

1. Introduction

The effects of supervision and incentives on subjects' performance and cheating have been studied in last years and results are controversial. On one hand, regarding to supervision-performance relationship, Falk and Kosfeld (2006) have suggested that close supervision of workers might undermine intrinsic motivation. Ariely et al. (2008) have proposed that the way in which monitoring is framed crucially influences its effect on motivation. On the other hand, supervision is expensive, especially for small firms. In order to reduce the cost of supervision and encourage workers to actively contribute, organizations often distribute incentives (Clark and Wilson, 1961). Financial and economic incentives are commonly used in the labor market, and the effect of those incentives varies depending on the type of task (Camerer and Hogarth, 1999). In fact, although according to standard economic reasoning an increase in the financial incentives provided for an activity will improve performance, there are some notable exceptions. Gneezy and Rustichini (2000) show that people who are unpaid tend to exert greater effort than those paid only a small amount. Ariely et al. (2009), meanwhile, demonstrate that when incentives are too high, people may "choke under pressure," resulting in very bad performance.

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However, supervision and incentives not only have effects on subjects' motivation and performance but also on cheating. Without supervision people could cheat. According to Nagin et al. (2002) employees are "rational cheaters". They anticipate the consequences and firms respond with monitoring and incentive systems. In the labor market, employees have many incentives for being dishonest, whether they are ordinary workers or top executives. One clear example are bank sales employees. Their job should be to advise customers how to best invest their money. However, in reality, bank employees have sales targets that will affect the quality of their advice in order to increase sales and, in turn, their salary. Another good example are brokers. Although brokers are supposed to act in their clients' best interests, the commissions system can tempt them to choose personal gains over their clients' interests (Davis, 2004; McDonald, 2002). We could also find dishonest behavior of CEOs and high executives in big companies. While money markets are characterized by a monotonic relationship between payment and effort, in social markets effort is independent of economic compensation levels (Heyman and Ariely, 2004). Social motivation, like prestige, may play a large role in promoting their dishonest (and sometimes irrational) behavior. Especially in the case of experienced CEOs, for whom economic incentives are not as important, prestige could be a good argument to increase their motivation but also their dishonest behavior: "*. . .you do not understand anything. It is not the money. It is the game, the game between people.*" (*Gordon Grekko in Wall Street: Money never sleeps*). Moreover, the effect could be bigger if competition appears. Under competition individual increase their effort (Gneezy and Rustichini, 2004) but if individuals recognize a possibility to cheat, their incentives to increase effort under competition are muted (Schwieren and Weichselbaumer, 2010). Thus, we have the following hypotheses:

Hypothesis 1. Supervision is necessary not only because supervision affects motivation, but also because lack of supervision promotes dishonest behavior.

Hypothesis 2. Although incentives increase motivation and, therefore, performance, without supervision incentives will also increase cheating behavior, especially in the case of social incentives like prestige, which are obtained through a competitive process.

With respect to the level of cheating and taking into account that there are different types of cheaters (Gneezy et al., in press), the Theory of Self-Concept Maintenance (Mazar et al., 2008) suggests that workers typically solve this motivational dilemma adaptively by finding a balance or equilibrium between two motivating forces: financial incentive and positive self-concept. In this equilibrium, workers can derive some financial benefit from behaving dishonestly (but not too dishonestly) and still maintain their positive self-concept in terms of being honest individuals. Following this reasoning, (1) the equilibrium between incentives and positive-self concept should be independent of supervision, and (2) workers should be less likely to cheat in a highly supervised setting, because the chance of "getting caught" is significantly higher. In addition, the cheating could be affected by lack of motivation. To control for this effect, we included a measure of intrinsic motivation in our study. If we take into account intrinsic motivation, unmotivated employees are likely to extend little effort in their jobs, avoiding the workplace as much as possible, leaving the organization if given the opportunity, and producing low quality work. Employees who feel motivated toward their work, however, are likely to be persistent, creative and productive, turning out high quality work that they willingly undertake (Amabile, 1993). Intrinsic motivation is the extent to which an individual is interested in a task and engages in it for the sake of the task itself (Utman, 1997). Therefore:

Hypothesis 3. People with high intrinsic motivation in their job not only have greater motivation and become more productive, but also cheat less and need less supervision.

Hypothesis 4. Employees still maintain the same positive self-concept, in terms of being honest individuals, with different grades of supervision. As such, with high levels of supervision, where workers are more likely to "get caught," cheating behavior will decrease.

Given these points, we conducted three experiments to examine the relationship between supervision and incentives and their implication on performance and cheating. In the first experiment, in order to analyze performance and grade of cheating in different monitoring situations, we replicated experiment 1 of Ariely et al. (2008), but including a control measure of efficiency. In the second experiment, we added economic and social incentives to the task in order to analyze how they modify levels of both motivation and cheating. In the third experiment, our main objective was to control if the levels of motivation and cheating change with intrinsic motivation, with and without incentives. Our results suggest that workers' supervision is necessary, not only because supervision may increase motivation, but also because without supervision, workers cheat. Consistent with the literature, we found that incentives increase motivation; however, this only occurs for participants with high intrinsic motivation. At the same time, certain incentives (in particular social incentives) seem to increase participants' band of acceptable dishonest behavior.

2. Experiment 1: monitoring and effort

2.1. Experimental design

Here, we replicated Ariely et al. (2008) experiment 1 (Ariely's experimental design is provided in Appendix A of the Supplementary material). The subjects were Spanish University students. Each subject participated in the experiment alone,

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