

COMPENSATION AND REWARD DESIGN

Incentives and Critiques

Kohn · Pfeffer · Pink · Deci

PAPER 02 / 02

A Furtherance reference compendium on the intellectual traditions behind organisational design, leadership, execution, and culture.

IN THIS PAPER

The series closes with the counter-tradition – the argument that extrinsic incentives, especially individual pay-for-performance, can undermine motivation and distort behaviour. The question it answers: when do rewards backfire, and what motivates high-quality work that money cannot buy?

Kohn argues rewards punish; Pfeffer debunks the myths that inflate pay's role; Pink popularises autonomy, mastery and purpose; Deci supplies the foundational science of how controlling rewards erode intrinsic motivation. The paper sets this against the previous one's evidence rather than declaring a winner.

Alfie Kohn Punished by Rewards, 1993

The case against incentives

CORE THESIS

Extrinsic rewards – “do this and you'll get that” – **undermine intrinsic motivation**, damage quality, discourage risk-taking and rupture relationships. Incentive plans, Kohn argues, cannot produce lasting commitment.

FRAMEWORK

Claim	Meaning
Rewards as control	Being controlled by rewards erodes internal drive
Quality suffers	“Do it for the reward” narrows and cheapens effort
Risk discouraged	People play safe to secure the payout
Relationships strained	Competition for rewards damages cooperation

METHODOLOGY

A synthesis of motivation research marshalled into a broad critique of incentives.

SIGNIFICANCE AND CRITIQUE

The sharpest popular case against incentive pay. The critique, per the caveat: the claims are contested and arguably overstated – the previous paper's evidence pushes back.

Jeffrey Pfeffer Six Dangerous Myths About Pay, 1998

Evidence-based reward · Stanford

CORE THESIS

Much pay practice rests on **myths**. Pay is not the main motivator; labour *rates* are not labour *costs*; and individual incentives often **harm** teamwork. Organisations over-rely on pay and misuse individual incentives.

FRAMEWORK

Myth	Reality Pfeffer argues
Pay is the top motivator	It is one lever among many, often not the strongest
Individual incentives lift performance	They can undermine cooperation and quality
Labour rate = labour cost	Productivity, not wage level, drives cost
Pay must be cut to compete	People-first practices can outperform

METHODOLOGY

Evidence-based management applied to reward and human-resource practice.

SIGNIFICANCE AND CRITIQUE

A bracing, evidence-based debunking of lazy pay assumptions. The critique: some of its claims are themselves debated within the field.

Daniel Pink *Drive, 2009*

Autonomy, mastery, purpose

CORE THESIS

For complex, creative work, the carrot-and-stick model fails. Real motivation – “Motivation 3.0” – rests on **autonomy, mastery and purpose**. Pay people enough to take the issue of money off the table, then rely on intrinsic drivers.

FRAMEWORK

Driver	Meaning
Autonomy	Control over task, time, technique and team
Mastery	The urge to get better at something that matters
Purpose	Serving something larger than oneself
If-then limits	Contingent rewards suit routine, not creative, work

METHODOLOGY

A popular synthesis of decades of motivation research for a general audience.

SIGNIFICANCE AND CRITIQUE

The accessible synthesis that spread self-determination ideas widely. The critique: as a popularisation, it simplifies a more nuanced research literature.

Edward Deci with Richard Ryan · *Self-Determination Theory*

The foundational science

CORE THESIS

The empirical foundation beneath Pink. Controlling, contingent rewards can **undermine intrinsic motivation** (the classic experiments), while **autonomy, competence and relatedness** support it. How a reward is experienced – as control or as information – matters.

FRAMEWORK

Concept	Meaning
Undermining effect	Tangible, contingent rewards can crowd out intrinsic interest
Autonomy	Acting from genuine volition
Competence	Feeling effective at what one does
Relatedness	Feeling connected to others

METHODOLOGY

Decades of controlled experiments and field studies in motivation psychology.

SIGNIFICANCE AND CRITIQUE

The rigorous scientific basis for the critique of controlling rewards. The critique, per the caveat: the size and scope of the undermining effect are debated across meta-analyses.

A NOTE ON EVIDENCE

A caveat on an unresolved debate: this paper and the last present genuinely competing evidence. Controlling, contingent rewards can crowd out intrinsic motivation for creative work (Kohn, Deci), yet pay demonstrably drives effort and sorting (Gerhart & Rynes). The reconciliation is contextual – the effect depends on the task (routine versus creative), on how the reward is administered (controlling versus informational), and on whether base pay is fair. Design reward for the work in front of you, not for one side of the argument.

Synthesis

Contribution	Focus	Key idea	Register
Kohn	Anti-incentive	Rewards undermine and punish	Polemic
Pfeffer	Pay myths	Pay is over-relied upon	Evidence-based
Pink	Intrinsic drivers	Autonomy, mastery, purpose	Popular synthesis
Deci	The science	The undermining effect	Foundational research

FOR THE OPERATOR

The counter-tradition warns that incentives can backfire – rewards can undermine and punish (Kohn), pay is over-relied upon (Pfeffer), creative work runs on autonomy, mastery and purpose (Pink), and controlling rewards can crowd out intrinsic motivation (Deci). For the operator: pay fairly enough to remove money as a worry, use individual incentives sparingly for creative and collaborative work, and design for intrinsic motivation – while respecting the evidence that pay still matters. That closes the Compensation and Reward Design series.