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**Source:** California Management Review

**Published:** Winter 2015

### **Psychology-based Training Incentives Motivates Workers**

#### **Key Concept**

A one-time financial incentive based on proven psychological techniques can motivate employees to voluntarily make a commitment to long-term training, new research shows.

#### **Idea Summary**

While large corporations may have the bandwidth to organize mandatory, sustained in-house training programs, smaller companies must depend on outside organizations and the government to provide training. The challenge with such programs is that employees will only actively participate if they are *self-motivated* to do so. How can companies create or enable such self-motivation?

According to new research, a one-time financial incentive that is outcome-based (participants receive nothing if they do not participate) and built on psychological research into incentives can successfully motivate employees to participate not only in one program, but also to follow-through with more sustained, long-term training.

The new research, conducted by marketing professor Teck-Hua Ho of the University of California Berkeley's Haas School of Business and professor Catherine Yeung of the National University of Singapore (NUS) Business School, is based on a field study involving 4,000 workers. Some of the workers were offered \$60 to enrol in two two-day courses within four months. The cost of each course: \$30. The \$60, to be received after the courses, was presented as either 1) a reward for participating, or 2) reimbursement for incurred costs. Some of the workers were also asked to make a non-binding commitment by being asked to say which two courses they were going to take, and when.

The study incorporated two different psychological techniques: *framing* and *commitment*. Framing referred to the positioning of the \$60 as either a reward or a reimbursement. Commitment referred to requiring the participants to name the courses they would take and when they would take them.

Both framing and commitment have psychological implications. According to what is known as prospect theory, people will perceive any outcome as either a loss or a gain — and they value avoiding losses much higher than acquiring gains. The researchers were thus framing the \$60 they offered either as a gain (the reward) or as the avoidance of a loss (the reimbursement), expecting the reimbursement to be more effective because of the preference for avoiding losses.

An additional psychological advantage of the reimbursement is that rewarding people for a short-term effort signals that the effort is finished — which means that participants receiving the reward would consider that they no longer have to think about training. Since the goal is to encourage a long-term commitment to training, not simply a short-term effort, the reward sends the wrong message.

The commitment to specific courses is also a psychological technique because it is based on research that shows that when people make a specific plan (I will attend this course on this day) as opposed to a general plan (I plan to do some training), they are more likely to implement the plan.

The results of the field study show the power of incentives, especially those based on psychological techniques. Those who received the \$60 were six times more likely to take courses than those who did not. However, tracking the workers for nine months after the courses revealed that only those who had received the \$60 as a reimbursement and had made a non-binding commitment to specific courses continued to pursue other training opportunities.

### **Business Application**

Managers know that incentives will motivate workers to participate in training. However, this study shows the importance of incorporating psychological techniques into the design of their incentive programs to make them effective. Using just two psychological techniques in this case created four incentive packages (free courses, commitment; free courses no commitment; cash reward, commitment; cash reward, no commitment). The different packages led to dramatically different results. There was, for example, a 66% difference in participation and a 96% difference in the number of courses taken between the most effective and least effective incentive packages offered (“free courses, commitment” and “cash reward, no commitment,” respectively).

Another advantage of these incentive packages is that they are scalable. The cost is low because employees are paid only if they engage in the training.

Managers may wish to design their incentive packages differently — for example, some might want to make the commitment to taking two courses binding, rather than non-binding as it was in this study. This could be done by imposing a fee when the courses are booked. While the benefit would be that more employees who committed to two

courses would attend the training to avoid wasting their money, the downside might be that less people would sign up.

While different designs can be implemented, the bottom line regarding incentives remains the same: your incentive package will be more effective if it is built on psychological techniques such as those used here.

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**Further Reading:**

How a One-Time Incentive Can Induce Long-Term Commitment to Training. Tek-Hua Ho, Catherine Yeung. *California Management Review* (Winter 2015).  
<http://www.jstor.org/discover/10.1525/cmr.2015.57.2.113?uid=3739704&uid=2&uid=4&uid=3739256&sid=21106080196721>

**Further Relevant Resources:**

Tek-Hua Ho’s profile at University of California, Berkeley, Haas School of Business  
<http://faculty.haas.berkeley.edu/hoteck/>

Catherine Yeung’s profile at the National University of Singapore  
<http://bschool.nus.edu/staff/bizcy/>

University of California, Haas School of Business Executive Education profile at IEDP  
<http://www.iedp.com/Providers/Profile.aspx?provider=UC Berkeley Center for Executive Education>

National University of Singapore Business School Executive Education profile at IEDP  
<http://www.iedp.com/Providers/National University of Singapore>