

Motivating Teammates: The Leader's Choice between Positive and Negative Incentives

Özgür Gürerk
University of Erfurt

Bernd Irlenbusch
London School of Economics

Bettina Rockenbach
University of Erfurt

Abstract

Team leaders often provide incentives for cooperation. A challenging question is how different incentive schemes and their actual choice by the leader shape the team's culture and contribute to the team's success. To shed light on this issue we investigate how a leader chooses between rewards or punishment in an experimental team setting and how teammates' contributions are influenced by this choice. Leaders show a clear initial preference for rewards, which diminishes over time in some teams. Leaders who observe more free-riders in their teams tend to switch to punishment incentives. A change from rewards to negative incentives results in an immediate and enduring increase in contributions. On the other hand, contributions show a decreasing trend in teams with a leader who sticks to rewards.

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