

# Effects of Extrinsic Rewards on Knowledge Sharing Initiatives

**Gee Woo Bock**

*Sungkyunkwan University, Korea*

**Chen Way Siew**

*IBM Consulting Services, Singapore*

**Youn Jung Kang**

*Sungkyunkwan University, Korea*

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## INTRODUCTION

In the field of motivation, incentives are seen as a means of motivating people. Incentives are usually applied in the form of a scheme, such as piece-rate and fixed-rate monetary rewards. Since the field of knowledge management involves a certain measure of motivation, a number of organizations have used incentives to encourage their employees to share knowledge. Research to date concerning the role of incentives in knowledge sharing seems to contradict one another. Furthermore, when an incentive is sufficiently large, some individuals are inspired to increase their performance to reflect the incentive received (London & Oldham, 1976).

Along with this negative disposition, intrinsically motivated individuals would experience a deterioration of such motivation due to the introduction of incentives, thus jeopardizing the whole knowledge sharing initiative (Deci, Koestner, & Ryan, 1999; Jordan, 1986).

Some research (Bock & Kim, 2002; O'Dell & Grayson, 1998) has suggested a trigger effect that comes from implementing incentives. Empirical evidence concerning the long-term effects of incentives in the field of knowledge sharing is also lacking (Fossum, 1979; O'Dell & Grayson). This research seeks to consolidate the many different views of past research, investigating areas that are lacking. Is it possible to consolidate the different views of incentives in knowledge sharing? Are there differences between having fixed-rate, piece-rate, or no incentive schemes in knowledge sharing initiatives? Do incentives exhibit a triggering effect in motivating individuals to share their knowledge? Would the removal of incentives after the trigger period affect a knowledge sharing initiative? Will the continual increase of incentives remain effective in the long term for knowledge sharing initiatives? These research questions will be answered as the article progresses.

## BACKGROUND

This research into the effects of extrinsic rewards on knowledge sharing initiatives encompasses a number of constructs. These constructs were grouped into three sections—knowledge sharing, the introduction of incentives in knowledge sharing, and overcoming past research limitations—and are as described below.

### Knowledge Sharing

Knowledge is defined to be a justified belief that enables effective action through the increase of an entity's capacity (Nonaka, 1994). It is considered to be a vital part of an organization's resources. In the resource-based view (Barney, 1991), resources that are valuable, are rare, lack substitutes, and are imperfectly imitable, such as knowledge, offer a source of sustained competitive advantage. In order for an organization to exploit its knowledge, there is a need for the management of knowledge. According to von Krogh (1998), knowledge management is the process of identifying and leveraging the knowledge within an organization so as to help maintain its competitiveness.

Organizations are able to manage knowledge through the use of specialized information systems: knowledge management systems. Knowledge management systems are also referred to as knowledge repositories, shared knowledge bases, or knowledge-based systems, and can include bulletin-board systems (BBS) as well as online forums that archive users' posts.

In the field of knowledge management, the process of transferring knowledge (i.e., knowledge sharing) is considered to be of utmost important. Knowledge sharing is defined as the voluntary process of transferring or disseminating knowledge from one person to another person

or group in an organization (Nelson & Coopridge, 1996). If there were no knowledge transfer activities, the field of knowledge management would not exist. For the purpose of this research, the process of knowledge sharing is taken from the viewpoint where it is empowered by technology through the use of knowledge management systems.

## **Incentives in Knowledge Sharing**

In the knowledge sharing field, incentives are used as a means to an end, easing individuals into parting with their knowledge (Ba, Stallaert, & Whinston, 2001; von Krogh, 1998). There exist costs in the preparation of knowledge for sharing purposes and individuals may not share unless they are duly compensated. Should the benefit exceed the cost, individuals will share knowledge (Constant, Keisler, & Sproull, 1994). These costs arise from lost work time, reduced power and influence, as well as the extra effort needed to articulate knowledge into a comprehensible form. Incentive schemes are the means implemented in organizations to compensate for these costs.

Incentives are usually administered in the form of a structured scheme commonly known as an incentive scheme. Schemes are structured according to the needs of the organization, guided by the purpose for which it would be used and the personnel it is directed at (Jennergren, 1980). The functions of incentives, in addition to inciting action, include affecting the individual's goals and intentions, suggesting to varying degrees goals or intentions, and aiding in the ensuring of an individual's commitment to various goals (Dobmeyer, 1972).

For the purpose of this research, extrinsic rewards would follow the definition provided by Deci et al. (1999) and would specifically imply monetary rewards. Monetary rewards are able to trigger action because "it can provide outcomes that satisfy physiological and psychological needs" (Stajkovic & Luthans, 2001, p. 581). When it comes to extrinsic rewards, a number of researchers have either found a negligible or negative relation between incentives and knowledge sharing. Although individuals interviewed by Bock and Kim (2002) prior to conducting a survey seem to place an emphasis on extrinsic rewards, the result of the study found a negligible relation between rewards and knowledge sharing activities. They justified this result based on motivation literature such as that of Herzberg (1968). Extrinsic rewards do not motivate, but move. Individuals move to avoid the punitive effects from both extrinsic rewards and punishment of the carrot-and-stick philosophy. Once the work environment changes and the carrots are no longer desirable, extrinsic rewards would lose its effectiveness (Levinson, 1973).

In fact, most experienced employees regard knowledge sharing as part of their work responsibilities, and thus hold a negative perception toward the introduction of extrinsic rewards (Constant et al., 1994). The presence of extrinsic

rewards can attract nonintrinsically motivated individuals to participate in knowledge sharing (Davenport, Prusak, & Wilson, 2003). The presence of such individuals could prove disruptive to the knowledge sharing initiative as they would share knowledge of low or no quality for the sole purpose of attaining the reward. Alongside this, extrinsic rewards would simultaneously decrease the motivation of individuals who are intrinsically motivated (Deci et al., 1999; Jordan, 1986). The presence of extrinsic rewards would change their focus to that of the reward (Kerr, 1999). They would dispense all of their efforts in pursuit of the rewards, thus affecting their perception of the task at hand (Kreps, 1997; Meyer, 1975; Pfeffer, 1998). A negative perception of the task arises because if they have to be bribed to perform it, the task must be something that they would not otherwise perform (Kohn, 1993).

## **Overcoming Past Research Limitations**

Past research with regard to extrinsic rewards and knowledge sharing were limited in a number of ways. Bock and Kim (2002) and O'Dell and Grayson (1998) also made mention of the possibility of extrinsic rewards having a triggering effect on knowledge sharing initiatives. Empirical evidence is also lacking when it comes to the long-term usage of incentive schemes. O'Dell and Grayson mention that "explicit rewards and incentives go only so far" (p. 168) while Fossum (1979) mentions "reward receipt did not lead to higher performance in subsequent periods, whether appropriately or inappropriately administered" (p. 586). The types of incentive schemes used are frequently generalized, failing to differentiate between the types of schemes: piece-rate, fixed-rate, as well as the absence of an incentive scheme. Piece-rate monetary incentive is defined as paying individuals for each unit produced predetermined amounts of money (Stajkovic & Luthans, 2001), while fixed-rate incentive is the fixed payment of a predetermined sum to individuals for their participation in a task (London & Oldham, 1976).

In order to address these limitations—view disparity, trigger effect, long-term effects, and incentive-schemes differentiation—four research questions were synthesized to guide this research.

- Is it possible to consolidate the different views of incentives in knowledge sharing? This question seeks to address the disparity in views.
- Are there differences between having fixed-rate, piece-rate, or no incentive schemes in knowledge sharing initiatives? Here we address the lack of comparison in this area.
- Do incentives exhibit a triggering effect in motivating individuals to share their knowledge? We want to

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