The Unexplored Territory Linking Rewards and Ethical Behavior

A Review and a Diagnostic Model

NANCY B. KURLAND
University of Southern California

Rewards research typically examines how well incentives increase employees’ productivity. By comparison, research in business ethics research focuses more on employees’ ethical behavior than on their productivity per se. Yet, despite the bounty of literature in these two areas, little research specifically (a) links incentives to (un)ethical behavior and (b) focuses on relationships other than that between the employee—employer. This article reviews this neglect in detail, urges that future research address these gaps, and proposes a diagnostic model for use by scholars to guide this future research and by practitioners to implement rewards in their organizations.

Metropolitan Life Insurance Co. faces lawsuits for using misleading sales practices to sell life insurance. (Scism, 1994)
The Securities and Exchange Commission explores how to reduce the conflict of interest among securities brokers created by the current system of compensation. (cf. Harlan, 1993; Raghavan, 1994; “U.S. Clears a Study of the Way Brokers Receive Compensation,” 1994)

These recent events highlight the contemporary concern about conflicts employees face when the compensation system rewards both the employ-

AUTHOR'S NOTE: This article was motivated in part by my dissertation research. Accordingly, I would like acknowledge the support of my committee members: William C. Frederick, Irene Frieze, Robbin Derry, Ralph Kilmann, and Barry Mitnick. Also I thank the journal reviewers for their helpful comments on earlier drafts.
ees' and the firm's short-term, narrow self-interest but fails to necessarily reinforce a concern for the client's best interest. That reward systems may harm external stakeholders and even backfire and hurt employers is evident in recent business scandals such as that involving Sears Roebuck & Company. In 1992, Sears stopped paying its auto repair advisors' commission and eliminated the position after they were found to have been overcharging automobile repair customers in order to earn higher commissions. When news of these practices became public, Sears' CEO denied any intent to deceive customers but "acknowledged management's responsibility for putting in place compensation and goal-setting systems that 'created an environment in which mistakes did occur'" (quoted in Paine, 1993, p. 108). Sears' total cost to settle pending lawsuits was estimated at $60 million (Paine, 1993).

Yet, for all the concern that rewards may negatively impact external stakeholders (e.g., Anders, 1993; Buell, 1992; King, 1990; "Saturn's Success Breeds Low-Pressure Copycats," 1992), little research has either theoretically or empirically examined this issue. Indeed, with few exceptions, research in rewards has considered the extent to which the reward system enhances employee performance, employee turnover, product quality, motivation, and the like with respect to their employers but has virtually ignored the ethical implications of these reward systems and the potential impact on external stakeholders (e.g., Guzzo & Katzell, 1987; Heneman, 1992; Lawler, 1971, 1981, 1987; Milkovich & Wigdor, 1991; Nalbantian, 1987; Schuster & Zingheim, 1992). Similarly, although research in business ethics has explored why individuals engage in unethical behavior within business settings, it too has neglected to address how rewards affect employees' ethical decision making and their relationships with stakeholders other than the employer (e.g., Cochran & Nigh, 1987; Hegarty & Sims, 1979; Ponemon, 1992; Trevino & Youngblood, 1990; Vallerand, Deshaies, Cuerrier, Pelletier, & Moneau, 1992; Zey-Ferrell & Ferrell, 1982; Zey-Ferrell, Weaver, & Ferrell, 1979). (See also Tsalikis and Fritzsche [1989], Randall [1989], and Randall and Gibson [1990] for extensive reviews of empirical research in business ethics.) In this article, I discuss this lack of research and urge that this gap be addressed.

In so doing, I review research that has questioned whether rewards (a) realize their intended effects and/or (b) realize negative, unintended effects. A reward realizes its intended effects when it encourages employees to work harder and produce more for the employer. A reward realizes negative, unintended effects when employees, in the course of responding to a reward's intended effects, engage in unethical behavior and/or deci-
sion making with respect to their relationships with stakeholders including, but not limited to, the employer. I conclude by proposing a diagnostic process scholars and practitioners can follow to explicitly address the possibility that rewards may engender negative, unintended effects.

**DO REWARDS REALIZE THEIR INTENDED EFFECTS?**

Key to successful organizations are incentives or reward systems and the degree to which these reward systems motivate employees to be productive. Accordingly, researchers have often speculated that certain reward systems may not realize their intended outcomes (e.g., Lawler, 1981), although they have rarely empirically examined these speculations. For example, Lawler (1987) theoretically explored the dysfunctional effects an incentive system may have on the firm that adopts it. He noted that piece rate systems can lead to employees trying to “beat the system” by slowing their rates to decrease the quotas. Kerr (1975, p. 779) theoretically explored this phenomenon, coining it “the folly of rewarding A while hoping for B,” and he attributed this folly to the prevalence of “fouled up reward systems.”

Likewise, Heneman (1992) incorporated Deci’s (1972) research showing that extrinsic rewards decrease intrinsic motivation, to argue that merit pay has been shown to (a) reduce effort, (b) reduce cooperation because it produces competition rather than cooperation within the group, (c) decrease self-esteem because of overconfidence biases or senses of inequity, and (d) decrease perceptions of equity. And Kohn (1993a, p. 54, 1993b) strongly urged that reward systems can only “undermine the very processes they are intended to enhance” because (a) they only temporarily change what we do, (b) pay is not a motivator, (c) rewards punish when they are expected and then denied, (d) rewards rupture relationships as employees scramble to win and in so doing jeopardize cooperation, (e) rewards concentrate on outcomes achieved rather than on developing employees through feedback, social support, and allowing for self-determination, (f) rewards discourage risk taking, and (g) rewards undermine intrinsic motivation.

Accordingly, in light of questions regarding whether rewards realize their intended effects, the *Industrial & Labor Relations Review* (Ehrenberg, 1990) published a special issue to address the seeming paucity of research examining this concern. Although the research included in the volume addressed, among other topics, (a) the links between pay and productivity
(Abowd, 1990; Leonard, 1990) (b) whether firms that pursued high-wage strategies actually outperformed other firms, as efficiency wage theorists postulate (Groshen & Krueger, 1990; Holzer, 1990), (c) what the determinants of firms’ compensation policies might be (Brown, 1990), and (d) whether compensation policies really make a difference in firm performance (Abowd, Milkovich, & Hannon, 1990; Schwab & Olson, 1990), none of the articles in this special issue directly focused on ethical implications of incentive systems or on non-employee-employer relations.

Asch (1990) may be the exception, albeit she addresses the ethical implications of incentives only indirectly. Specifically, she examined how navy recruiters vary their productivity in response to given incentives. She found that navy recruiters produced more the closer they were to becoming eligible for a prize, and decreased their work output after they had obtained the prize, whereas those whose past output was high before getting the prize produced less as they approached prize eligibility. Her research raises concerns about how incentive systems can fail to work, that is, how incentive systems, which are designed to increase performance, actually fail to do so. Yet, again, her research focuses on the effect of incentives on the employee-employer relationship and on worker output rather than on ethical decision making.

By contrast, if Asch’s study had focused on ethical decision making instead of worker productivity and on relationships in addition to the employee-employer, she would have examined the actions navy recruiters take, for example, to increase their output as the prize eligibility deadline approaches. Are their actions ethical and they are just working much harder and so their output increases? Or are they motivated to act in ways deemed less than ethical to achieve these increased outputs? And, if so, who is affected by these less-than-ethical actions? Hence, related to the question of whether rewards realize their intended effects is whether they engender unintended effects.

**DO REWARDS REALIZE UNINTENDED EFFECTS?**

The Administrative Science Quarterly seemingly followed the Industrial & Labor Relations Review’s lead (both are Cornell University publications) and published a special volume examining the distribution of rewards in organizations (Baron & Cook, 1992). Several of these studies have adopted more creative approaches to studying rewards; they diverge somewhat from the past focus on the reward-employee produc-
tivity link, and have begun to consider potential negative, unintended outcomes of reward systems.

For example, Zenger (1992) examined the effects on turnover rates of rewarding extreme performance. His research is different from past studies that have looked at rewarding extreme performance (e.g., Groshen & Krueger, 1990; Holzer, 1990) because he considers the dysfunctional outcomes that rewarding the extremes has on those languishing in the middle ranks. Specifically, he asks, “why would employers, through a typical merit-pay plan that leaves the majority of employees undifferentiated, restrict the pursuit of these benefits to the extremes of the performance distribution?” (p. 200). This question has been answered by efficiency wage theorists who postulate that rewarding the extremes will push out those who are very low performers (e.g., Akerlof & Yellen, 1986). To raise doubt about this explanation, Zenger argued that rewarding only at the extremes would force the above average employees (as distinguished from those who are the highest performers) to leave because their pay was only moderately higher than their below average colleagues. Nevertheless, Zenger’s findings support the efficiency wage argument as his results showed that rewarding the extreme induced higher performers to remain and lower performers to leave the organization, whereas rewarding at the mean encouraged higher performers to depart and lower performers to remain.

Two studies that move toward examining more specifically the ethical implications of reward systems are Harder (1992) and Becker and Huselid (1992). In a study couched in equity and expectancy theories, Harder found that underrewarded individuals behaved more selfishly and less cooperatively than overrewarded individuals. In a study of tournament rewards, Becker and Huselid concluded that the higher the magnitude of the prize, the greater the individual focused on his or her own achievement to the neglect of the organization. But, again, neither of these studies examined the potential impact that decreased cooperation (Harder, 1992) or self-absorption (Becker & Huselid, 1992) might have on entities other than the employer.

In short, scholars writing on organizational reward systems have questioned whether these rewards realize their intended effects and have extended this to begin to consider whether rewards engender negative, unintended impacts. However, few have directly explored these negative, unintended effects to better understand the impact rewards have on employees’ ethical decision making toward both employers and other stakeholders.
REWARDS, ETHICAL DECISION MAKING, AND EXTERNAL STAKEHOLDERS

By comparison, the effect of reward systems on an employee's ethical behavior toward an external stakeholder such as the client has been addressed to some extent in trade journals (e.g., Derry, 1990). However, it has been virtually ignored in academic journals devoted to business ethics, even though scholars have examined the ethical implications of rewards.

For example, in business ethics research, studies have looked at the antecedents to perceiving a gift as ethical (Dempsey, Bushman, & Plank, 1980; Trawick, Swan, & Rink, 1988) and have considered annual salary base as an indicator of the perceptions of the ethical beliefs of top management (Pratt, 1991).

Additionally, Hegarty and Sims (1978), Pruden (1971), Sims and Lorenzi (1992), and Trevino and Youngblood (1990) specifically analyze the ethical implications of reward systems. In a laboratory experiment using graduate students, Hegarty and Sims (1978) demonstrated that rewarding unethical behavior increased the incidences of unethical behavior. Yet they tested whether rewarding behavior that was preexisting and predefined as unethical would encourage more unethical behavior, rather than specifically deconstructing the reward system to examine why it may create (as opposed to merely reinforce) unethical behavior. Pruden (1971) presents a theoretical model that acknowledges the power organizations have to reward and punish employees but overlooks the subsequent effect these sanctions may have on the employees' ethical decision making toward other stakeholders. In the context of social learning theory, Trevino and Youngblood (1990) link rewards to ethical decision making but do so by analyzing the effect that rewarding ethical behavior and punishing unethical behavior of peers has on subjects' outcome expectancies and ethical decisions, rather than directly linking the rewards to subjects' ethical behavior. Sims and Lorenzi (1992) consider whether it is ethical for an organization to manipulate its work force vis-a-vis rewards rather than considering the behavioral consequences a reward system has on other stakeholders—as is the focus urged in this article.

This gap in research linking rewards to ethical decision making and external stakeholder relations becomes more apparent when we consider that in Ford and Richardson's (1994) review of empirical literature examining ethical decision making, not one study examined the effect of reward systems on employee behavior toward stakeholders other than the employer, and in Tsalikis and Fritzscbe's (1989) comprehensive literature
review of business ethics, and especially, marketing ethics, only one study did.

This exception is Dubinsky, Berkowitz, and Rudelius (1980) who noted that salespeople often face ethical dilemmas between short-term pressures from management to meet sales quotas and long-term goals of achieving customer confidence. Such dilemmas created job stress, poor sales performance, and dissatisfied customers. Yet, despite these conclusions, the potential link between the reward system and the consequent unethical behavior was not studied.

Somewhat differently, Holley (1993) develops a framework for evaluating the morality of sales practices based on practices within an efficient market system. Voluntary exchange is the crucial feature for ensuring an efficient market system that meets people's needs and desires for goods and services. Holley defines voluntary exchange as resting on three conditions:

1. Both buyer and seller understand the costs and benefits inherent in the transaction (knowledge),
2. Neither the buyer nor the seller is compelled to make the transaction (noncompulsion), and
3. Both the buyer and the seller can make rational judgments about the costs and benefits (rationality).

Holley charges that oftentimes sales practices preclude these three conditions such that voluntary exchange does not exist, and thereby the purpose of the market system is undermined. Thus, although Holley recognizes that sales personnel (i.e., sellers) may adversely affect actors other than employers (i.e., buyers), he does not advance his argument further to explore the reasons why salespeople may be motivated to undermine these conditions of voluntary exchange. Nor does he recognize that these sources of motivation (i.e., incentives) may conflict with the condition of noncompulsion because the incentives act to compel the seller to sell.

In general, sales management writers have identified two types of ethical issues that sales personnel commonly confront (reported in Tsalikis & Fritzache, 1989): (a) ethics in dealing with customers, such as bribes, gifts, entertainment, and conflicts of interest, and (b) ethics in dealing with employers, such as relationships with other salespeople, use of company assets, expense accounts, and sales contests (see e.g., Dalrymple, 1982; Futrell, 1981; Russell, Beach, & Buskirk, 1978; Stanton & Buskirk, 1978). However, although these writers identify common ethical issues, they stop short of explicitly linking these to a reward system.
By comparison, Gomez-Mejia and Balkin (1992, pp. 238-239) move one step further when they make explicit several disadvantages of the straight-salary compensation system (e.g., low motivational impact, difficulty in attracting or retaining top sales performers, sales representatives may focus on products that require the least effort to sell) and of the straight-commission compensation system (e.g., customer service may be neglected, sales representatives may focus on products that require the least effort to sell, less economic security, less direct control over the sales force, sales volume may be emphasized over profits).

Similarly, elsewhere I (Kurland, 1991, 1993, in press) provide a systematic analysis of the ethical implications of the straight-commission compensation system (SCCS) and its impact on the client. I argue that the SCCS encourages the sales agent to act fairly for the firm (formal, first principal) but fails to similarly encourage the sales agent to act fairly for the client (informal, second principal). In so doing, the SCCS potentially creates a conflict between the agent’s interest for the first principal and the agent’s interest for the second principal.

Related to this last point is Titmuss’s (1971) now famous study of blood-giving between the United States and the United Kingdom. In the United States, individuals were paid to give blood. In the United Kingdom, individuals freely donated their blood. Titmuss found that the quality of the blood received in the United Kingdom was far superior to that received in the United States. He concluded that the use of pay incentives resulted in an inferior good because the seller of blood faces a conflict between his or her self-interest to sell the blood and the interests of others to receive quality blood:

The paid seller of blood is confronted and, moreover, usually knows that he is confronted with a personal conflict of interests. To tell the truth about himself, his way of life and his relationships may limit his freedom to sell his blood in the market. Because he desires money and is not seeking in this particular act to affirm a sense of belonging he thinks primarily of his own freedom; he separates his freedom from other people’s freedoms. (p. 240)

It is the prevalence of this relatively unexplored phenomenon—that pay incentives create disparities between an individual’s self-interest and his or her other interests—which highlights the need for more research in this area. Said differently, one may question whether incentives increase the moral intensity present within a relationship (or an issue; Jones, 1991), decrease it, or replace it with a narrow moral focus on costs and benefits?

To conclude, little research explicitly analyzes whether rewards realize negative, unintended effects. One way to begin to redress this problem is to design a reward system that recognizes and respects that stakeholders,
other than the employer, have legitimate claims on the employee's time. Certainly, these stakeholders are only stakeholders because the firm has decided to hire the employee. But current performance-based reward systems may fail to recognize that in order to perform at high levels, employees must foster and maintain relationships with stakeholders other than the employer. When performance-based compensation plans create conflicts of interest, the employee may not know in whose interest to act. For example, the salesperson who earns commission may agonize over whether to fully disclose important information to the client and forgo the sale, or not disclose this information and ensure the sale. Here, the salesperson is rewarded for one relationship (e.g., salesperson—firm) to the potential neglect of another (e.g., salesperson—client). Yet the neglected stakeholder is as important to defining the employee's responsibilities as is the employer.

_A DIAGNOSTIC PROCESS MODEL_  
_TO GUIDE THE IMPLEMENTATION OF_  
_OUTCOME-BASED REWARD SYSTEMS_

So far, this article has revealed two gaps in rewards and business ethics research, namely, few scholars directly examine (a) the impact rewards have on ethical behavior, and (b) how rewards influence their recipients' ethical behavior toward stakeholders other than their employer. In this section, I propose a diagnostic process to guide future researchers who choose to tackle these gaps, after first outlining what appears to be the current model. Moreover, underlying the current diagnostic process is the assumption that rewards may or may not realize their intended effects. Underlying the alternative diagnostic process are the assumptions that reward systems may create negative, unintended impacts and that these negative, unintended impacts include ethical ambivalence (Jansen & Von Glinow, 1985) when employees may be forced to focus on one stakeholder’s legitimate claims to the exclusion of another’s (e.g., Kurland, 1991).

Moreover, the models are presented here with performance-based reward systems in mind. That is, employees earn the reward when they achieve specific, identifiable, measurable outcomes. This reward type is outcome-based. It contrasts with those systems that reward employees for their observable behavior rather than their measurable output (Eisenhardt, 1989) and is a strategy that is being rapidly adopted by American companies (Robbins, 1993, p. 259). Further, these rewards can either be moral or material in nature (Goulet, 1989) as long as they are awarded for outcomes achieved.
The Current Diagnostic Model for Implementing Rewards in Organizations: Realizing Intended Effects

The current diagnostic model for implementing performance-based reward systems appears to follow three rules. These rules enable employers to gauge and motivate employees’ performance according to the employer’s goals but neglect directly linking employees’ performance to other stakeholders’ goals.

*Rule 1: Identify the employee’s role responsibilities to the employer.* The first rule requires employers to define the employee’s role responsibilities with respect to the employer itself. For example, a salesperson’s responsibility is to sell the organization’s products. By identifying the salesperson’s responsibilities to the firm, the firm can reward the salesperson based upon how well she or he fulfills this responsibility.

*Rule 2: If the employee performs as desired, then grant the reward.* The second rule requires employers to provide employees with incentives to perform certain behaviors. Either employees perform these behaviors as employers desire and earn the rewards, or employees do not perform these behaviors satisfactorily and they do not receive the rewards. For example, the salesperson will receive commission, earn a bonus, or win a company-sponsored trip if he or she sells a certain amount of items. Moreover, employees who believe that the reward granted did not match what their actions merited may leave the organization (e.g., Zenger, 1992).

*Rule 3: Assess whether the reward motivates the employee’s performance more than without the reward.* The employer evaluates the efficacy of the reward according to how well it motivates the employee to perform the desired behavior. The employer can compare whether the employee’s performance increased as a result of the reward (over the short-term [e.g., Asch, 1990] and the long-term [e.g., Lawler, 1987]) by comparing the same performance without the reward.

*WHAT’S MISSING*

In the current model, the employer’s focus rests primarily on the degree to which the employee realizes goals as defined by the employer and which directly benefit the employer. This is as it should be. However, what the employer does not include in the reward formula are those stakehold-
ers, other than itself and the employee, who are directly (and indirectly) impacted by the same reward system.\textsuperscript{2}

An Alternative Diagnostic Model for Implementing Rewards in Organizations: Accounting for Potential Negative, Unintended Effects

An alternative model to implement rewards in organizations will recognize those stakeholders who hold direct (legitimate) interests in the employee's responsibilities. These stakeholders include, but are not limited to, the employer. To better understand who these other stakeholders might be, consider Preston and Post's (1975) distinction between primary and secondary areas of involvement. The area of primary involvement includes the behavior and transactions "that arise directly from [the firm's] specialized functional role. . . . Without them, the organization cannot be what it is" (p. 10). The area of secondary involvement includes "impacts and effects not intrinsic to the character of the organization but generated by its primary involvement activities" (p. 10). Likewise, I argue that an employee's area of primary involvement includes the behavior and transactions that arise directly from his or her specialized functional role. The employee's area of secondary involvement includes impacts and effects not intrinsic to the character of his or her primary involvement but those generated by this involvement.

In so stating, I propose the following diagnostic process that scholars and managers can use to assess the impact that reward systems might have on employees' ethical behavior toward stakeholders, including, but not limited to, the employer.

\textit{Step 1: Identify employees' role responsibilities, their ensuing direct stakeholders, and the legitimate interests of each}. Each employee has attributed to him or her a certain set of expected behavior patterns (Robbins, 1993) by certain identifiable stakeholders. For example, the salesperson holds two primary responsibilities: to clients to provide them with a quality product at a fair price and to the firm to represent the firm to the public and to sell the firm's products.

Yet, despite this ready acknowledgment that employees often must consider multiple stakeholders' interests, outcome-based contracts may only reward employees' relationships with their employer. Hence, in Step 1, it is necessary to specifically identify the employees' primary stakeholders—those stakeholders without whom employees' present role
would not make sense—and thereby ensure that employers and employees openly acknowledge the full range of the employees’ responsibilities.

**Step 2: Identify those responsibilities and relationships the reward system reinforces.** After identifying the employees’ primary stakeholders, the manager should examine the current or proposed performance-based plan to determine which relationships it directly reinforces. For example, if the firm rewards the salesperson with a commission based strictly on the number and value of items the customer purchases, it reinforces the salesperson’s relationship with the employer while, at the same time, the client’s satisfaction with the service and the product may go unexamined.

**Step 3: Identify those primary stakeholders with whom a relationship is not directly reinforced (i.e., nonlinked, primary stakeholders).** Noticeably, the reward system may be narrowly conceived to reinforce only the employee-employer relationship. For example, the salesperson’s role responsibilities directly recognize a responsibility to provide clients with a quality product at a fair price. However, the reward system (i.e., the granting of commission) does not specifically reward this role responsibility; it is an espoused responsibility but not a theory-in-use (Argyris & Schon, 1988). Hence clients can be considered nonlinked, primary stakeholders because relationships with them arise directly from the salesperson’s functional role, but these relationships are not linked to the salesperson’s performance reward.

**Step 4: Identify alternative mechanisms that act to hold employees accountable to their nonlinked, primary stakeholders and assess the efficacy of these mechanisms.** Alternative mechanisms may be in place that act to hold employees accountable to their nonlinked, primary stakeholders. These mechanisms, however, may not sufficiently focus employees’ attention on their nonlinked, primary stakeholders; rather, because one relationship is accompanied with a direct reward and one is not, the former relationship will more likely be emphasized to the neglect of the latter. For example, legal mechanisms may hold the salesperson accountable for his or her role responsibilities to the client. However, beyond any flagrant act, few mechanisms exist to ensure that the employee holds the client’s best interest in mind, as the Sears case exemplified.

**Step 5: Redress the gap.** After conducting Steps 1 through 4, it is likely that the analysis will reveal relationships for whom an employee is responsible but that are not directly linked to the employee’s reward system. Critics may argue that rewarding employees for all relationships
is both impossible and unrealistic, and this is so. However, certain relationships define an employee's role responsibilities. These should be accounted for by the reward system. Current systems that focus squarely on the employer-employee relationship may act to engender either-or mentalities: Either I downplay the negative attributes of this product so I can sell it, earn my commission, and please my firm, or I fully disclose all the information to my client and risk losing the sale.

By comparison, scholars and managers can redesign reward systems to incorporate nonlinked, primary stakeholders after using the above diagnostic process model to recognize that some primary stakeholders have been left dangling. For example, to link rewards to salesperson-client relations, firms can use customer feedback and satisfaction to assess the granting of salespersons' rewards as Sears is doing. That is, after recently reinstating its commission policy, Sears now links auto repair employees' pay, in part, to customer satisfaction (Driscoll, 1994). Moreover, although these problems and solutions are commonly recognized (e.g., Fay, Ferrara, & Stryker, 1993; Harlan, 1993; Hurwitz, 1994), that reward systems often are implemented with little attention to their impact on relationships other than that of employee-employer indicates that these problems and solutions are not common enough.

SUMMARY

Research in rewards and business ethics has begun to broach whether rewards realize their intended effects and/or negative, unintended ones. However, few studies have explicitly attempted to link rewards with employees' ethical decision making toward external stakeholders. To help redress this gap, I proposed a diagnostic model for use by scholars to guide research and by practitioners to implement rewards in organizations. Through this model, managers and scholars can recognize that stakeholders including, but not limited to, the employer hold legitimate claims to the employee, and thereby begin to empower these other stakeholders so as to more accurately account for the full range of stakeholders to whom employees are responsible.

NOTES

1. Cooperation has been found to be superior to competition for increasing productivity (see e.g., Bettenhausen & Murrihghan, 1991; Johnson, Maruyama, Johnson, Nelson, & Skon, 1981; Tjosvold, 1988; Tjosvold & Tsao, 1989; Tomer, 1987).
2. Also neglected here is any measure of the process or means by which the employee achieves the goal(s). Because the interest here is with outcome-based rewards, process is not directly relevant. Nonetheless, future consideration should be given to the impact a focus on outcome-based rewards has on the process employees use to realize their goals.

3. After completing the analysis of the employee’s direct stakeholders, the interests these stakeholders have in the employee’s behavior, whether the reward system directly rewards the employee’s responsibilities to each of these primary stakeholders, and identifying the mechanisms that may hold employees accountable to these nonlinked stakeholders, scholars and practitioners can next examine any potential secondary stakeholders as well as those who may be indirectly affected by the employee’s focus on earning the reward.

REFERENCES


