

What makes them tick?

Employee Motives and Industrial Innovation

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ABSTRACT

With few exceptions, empirical innovation research has focused on firm-level pecuniary incentives. Innovation at the firm-level, however, should also depend heavily on the level and quality of individual effort in response to individuals' pecuniary as well as non-pecuniary incentives. In this paper, we examine the impact of individual-level motives and incentives upon innovative effort and performance. Based on research in economics and social psychology, we first develop a basic model of the impact of extrinsic, intrinsic, and social incentives on individuals' innovative effort and performance. Using a survey-based data set (SESTAT 2003), we then present descriptive data on the motives salient to personnel in industrial R&D and test predictions derived from our model. In doing so, we control for a wide range of other variables at the individual, firm, and industry level that have been considered in prior innovation research. We find that individuals engaged in industrial R&D have strong extrinsic, intrinsic, and social motives and that there are systematic differences in these motives across types of individuals and work settings. Motives have significant effects upon innovative effort and performance. These effects vary significantly, however, depending on the particular kind of motive (e.g., intellectual challenge vs. pay). We also find that intrinsic and extrinsic motives affect innovative performance even when controlling for effort, suggesting that motives affect not only the quantity of effort individuals exert, but also the innovative productivity of that effort. Overall, intrinsic motives (in particular, intellectual challenge) appear to be at least as beneficial for innovation as extrinsic motives (e.g., pay). Our results suggest important implications for management and public policy, as well as interesting avenues for future research on innovative activity and performance in organizations.