

Awards as non-monetary incentives

Non-monetary
incentives

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Abstract

Purpose – The purpose of this paper is to shed light on a widely used yet scarcely investigated form of incentive, awards. The paper seeks to explore, first, whether awards can be used to motivate higher performance in academia and volunteering, and second, how often and in what forms awards are in actual fact being used in the voluntary sector.

Design/methodology/approach – The paper combines a theoretical analysis with various analytical methods, including a new matching technique, randomization in the field, and the survey approach.

Findings – Awards have the potential to substantially increase performance, yet they are less frequently used in the Swiss voluntary sector than theory suggests.

Research limitations/implications – The focus lies on awards in academia and the voluntary sector. Future research should investigate awards in other fields, e.g. the for-profit or the cultural sector. It should also assess their use in other countries to facilitate cross-country comparisons. The effects on non-recipients and the public at large are another area worth investigating.

Practical implications – Practitioners are encouraged to consider awards as an important motivational instrument, which could be integrated more explicitly and more widely in the volunteer management systems of Swiss non-profit organizations.

Originality/value – This contribution analyzes a widely used yet scarcely investigated form of incentive, awards. originality/value derives naturally from this observation.

Keywords Incentives, Awards, Motivation, Non-profit sector

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1. Introduction

This paper deals with a largely neglected issue in the social sciences. While awards exist in all forms of society, all sectors and all ages, economists and other social scientists have largely neglected to study them. Our contribution seeks to establish awards as a valuable additional incentive instrument besides monetary or material rewards on the one hand, and pure praise on the other hand.

There is an ancillary field of history devoted to research on orders, decorations, and medals, called phaleristics (Měřička, 1976). It focusses mainly on the history and insignia of particular orders, studying for instance the establishment and spread of the Order of the Golden Fleece or of the Order of the Garter. Sociologists form part of the second group of researchers taking an analytical interest in awards (e.g. Bourdieu, 1979, 1985; Goode, 1978). These two exceptions apart, awards have rarely been seriously analyzed in the social sciences. Only recently have the effects of this widely used reward system become part of empirical analyses (Frey and Gallus, 2015a). Questions to be analyzed abound. Do awards merely crown those who are already successful, or do they further raise their recipients' motivation and performance? Can awards have any motivating effect even if they are purely symbolic? What impact do



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awards have on non-recipients? Do they provide motivation to emulate the behavior deemed exemplary, or do they de-motivate and provoke envy? These are just some of the questions worth investigating (see also Frey and Gallus, 2015b).

Our contribution focusses on one specific aspect most closely related to the existing theory of incentives. We empirically analyze whether awards have a systematic and substantial effect on performance. We consider two different areas, the academic and the voluntary sector. We also provide evidence on the prevalence of awards in the Swiss non-profit sector, shedding light on the different forms and purposes of their use.

Section 2 discusses in what respects awards differ from the monetary incentives normally considered in management theory and in economics. The following section shows the many different areas in which awards have been applied. Section 4 is devoted to the results of econometric research showing the substantial positive effects of awards on performance in different fields. The next section presents our most recent research results on awards in the non-profit sector, based on an extensive online survey of over 2,000 voluntary organizations. Section 6 concludes.

2. Awards differ from monetary incentives

Awards differ from pecuniary incentives in several ways. The following aspects are of primary importance.

First, in activities where performance can only be vaguely determined, awards have a comparative advantage over monetary incentives. “Performance pay” is appropriate only if the performance criteria can be precisely determined and measured. This prerequisite is, however, rarely met in the case of complex activities, as argued by Frey and Osterloh (2012). If variable performance pay is applied, the giver must concentrate on those parts of the performance that are measurable. As a result, the potential recipients are induced to behave in a strategic way and perform well only in those dimensions that are measured. For this reason, principal agent theory increasingly favors “encompassing” performance evaluations. Under some conditions (Holmström and Milgrom, 1991), it is even better not to provide any explicit incentives. In that case, work effort is upheld only if work morale or intrinsic motivation happens to stay high.

Second, awards can be used when monetary compensation would induce strategic behavior. They allow the principal to take into account non-contractible activities, such as helping a colleague and other organizational citizenship behaviors (e.g. Organ, 1997). Awards are meant to honor general forms of performance, as is the case with Lifetime Achievement Awards given, for example, at film festivals. In many cases, the Nobel Prize is bequeathed for a life’s work rather than for a specific research success achieved in the preceding year (although this was the original intent of the founder).

Third, giving awards is cheap. Awards normally consist in a piece of ribbon, a trophy or a certificate that can be displayed in the office. However, if too many awards are handed out they lose their value. Choosing an unworthy candidate produces considerable costs for the giver because of the resulting image loss.

In some cases awards are accompanied by a large prize purse. The winner of an (undivided) Nobel Prize gets eight million Swedish kronor (about 880,000 Euros). Yet the honor going with the prize is far more important than the money. It can safely be assumed that most scholars would be glad to accept the prize even if no money was attached to it – or that they would even be prepared to pay for it. An important function

of the money accompanying an award lies in establishing its seriousness. However, the sum of money is no guarantee that a prize will enjoy commensurate prestige. Thus, the Balzan Prize for Humanity, Peace and Fraternity Among Peoples, bestowed every three-five years, enjoys far lower prestige than the Nobel Prize though the winner receives even two million Swiss francs (about 1.92 million Euros).

Fourth, awards fulfill an important signaling function (analyzed in detail in Frey and Gallus, 2014). Honors are particularly valuable for their recipients when revealing their talent and commitment, allowing award winners to engage in beneficial new commercial and personal relationships. By bequeathing awards, the givers also send signals about themselves. They can use awards to show which values they honor. Given the publicity and the important ceremonial component of their bestowals, awards can also be employed for public relations aims.

Fifth, under specific conditions, monetary payments reduce work effort (see Frey, 1992, 1997, for an empirical survey see Frey and Jegen, 2001). They crowd out intrinsic motivation if performance measurement is perceived as controlling. If this crowding-out effect is stronger than the relative price effect, the incentive provokes a decrease in performance. Giving money may moreover distort the positive signaling effect of “good deeds.” It becomes unclear whether the action was undertaken for its own sake, or with the goal of receiving the money in return (Bénabou and Tirole, 2006). The net effect on performance therefore can be positive or negative. These considerations constitute a considerable extension of the standard theory of incentives. In contrast to monetary compensation, awards tend to foster intrinsic motivation. They neither require an explicit performance measurement, nor do they negatively affect the recipient’s self-evaluation or perception of self-determination. Rather, awards support their recipients’ activities as well as their self-image.

Sixth, awards also forge special ties of loyalty (Gallus and Frey, 2015). A recipient of an award enters a relational bond with the giver. The public considers someone who first accepts an award but then turns against the giver to be inconsistent and ungrateful. The respective person should have refused the award if he or she does not agree with the general views held by the giver. The giver, on the other side, also signals a willingness to establish special ties of loyalty to the recipient. His or her prestige suffers if the recipient proves to be unworthy or rejects the award. In contrast, monetary payments do not establish any such bond of loyalty above and beyond the performance contracted. In many cases people even emphasize that they perform a particular task solely for the money, and that they have no further connection or obligation to the person giving the money. A case in point is when someone performs a well-paid service for someone with a totally different ideology.

3. The prevalence of awards

Awards in the form of orders, medals, decorations and prizes exist everywhere in society. We constantly witness the publicity surrounding awards given in management. Steve Jobs provides a telling example. The founder and visionary boss of Apple received a large number of honors, such as the National Medal of Technology given by President Reagan, the Jefferson Award for Public Service, and being named “CEO of the Decade” by Fortune magazine. Apple itself also honors its employees, for instance by giving them plaques and glass sculptures for the length of their service. This practice is emblematic for many other firms (Nelson, 2005), which commend their employees for being “Salesperson of the Month” or “Employee of the Week”. There indeed seems to exist no

limit to the ingenuity of inventing new awards. Most for-profit firms extensively use awards as a form of compensation in addition to monetary benefits. They make use of the strong and varied signaling functions of awards (Frey and Gallus, 2014), to highlight for instance what kind of extra-role behavior management desires.

Governments and non-governmental organizations hand out awards in the civil and military sectors, in academia, in culture, in the media and in religion, as well as in sports. All around the world, officers are highly decorated; sometimes their entire chests are covered with orders and decorations. Prominent examples for awards in the arts, culture and are the Academy Awards (Oscars), the prizes handed out at film festivals, the Emmy and Grammy Awards, the Booker Prize, the prix Goncourt, and the Pulitzer Prize. In the field of sports athletes are honored by being elected “Sports Personality of the Year” (by the BBC) or by being admitted into one of the manifold Halls of Fame.

It might be thought that academia, as the place of rational discourse, is an exception; yet, the opposite is true: academia has an elaborate and extensive system of awards. Universities confer many titles, such as honorary doctor or honorary professor or senator. Professional associations award a staggering amount of prizes, ranging from the Fields Medal in mathematics to the Nobel Prizes (Weinberg and Galenson, 2005). Prestigious fellowships exist in Academies of Science (e.g. Fellow of the Royal Society, founded in 1660; Fellow of the American Academy of Arts and Sciences, founded in 1780) and in associations such as the Econometric Society (Hamermesh and Schmidt, 2003). Lastly, there is an abundant number of best paper awards handed out at conferences and by journals (Coupé, 2003).

4. Effects of awards on performance

Our own research on prestigious awards in academia suggests they have strong positive effects on their recipients’ subsequent performance, in particular, quality-weighted publications and citations (Chan *et al.*, 2014). The American Economic Association regularly honors “that American economist under the age of 40 who is judged to have made the most significant contribution to economic thought and knowledge” with its prestigious John Bates Clark Medal. The medal was awarded biannually from 1947 to 2009 and annually ever since. A considerable fraction of its winners have subsequently been awarded the Nobel Prize (12 out of 37). Using the synthetic control method to construct a control group, we find that five years after award receipt, medalists have already published 13 percent more quality-weighted publications compared to the counterfactual scenario of no award receipt. By then, the number of citations to papers they had published before the award has increased by 50 percent compared to the counterfactual. Our analysis of the coveted Fellowship of the Econometric Society yields similar results. We see considerably higher productivity (proxied by quality-weighted publications) and attention (citations) for the award recipients’ work.

These findings, suggesting performance-enhancing effects of awards, are in line with a growing number of empirical studies on awards in various other fields, spanning the for-profit and non-profit sectors. To investigate the effectiveness of awards in the corporate sector, Neckermann *et al.* (2014) study the effects of an award, which was accompanied by a sum of \$150 and given to employees in a call center for their social activities, such as helping a colleague. The positive motivational effect of the award is established by showing that the award raised performance even on core duties, which it was not given for.

In another study on awards in the for-profit sector, Malmendier and Tate (2009) reach a somewhat surprising result: CEOs who receive prestigious titles by the business press (e.g. being named best manager) thereafter work as hard as before, and perhaps even harder, yet they exert less effort for their own firm. Instead, they start spending their time on image-boosting activities such as writing books, while still demanding higher compensation. The awards are shown to interfere with the principal-agent relationship, to the detriment of the respective firm's performance (see also Wade *et al.*, 2006).

A recent study by Gallus (2015) analyzes the effects of awards in the non-profit sector. In a large-scale natural field experiment on voluntary contributions to a public good, the author finds that even purely symbolic awards have a substantive and statistically highly significant effect on performance in the case of contributions to Wikipedia. The award is shown to increase the volunteer retention rate by no less than 20 percent in the following month, and this positive effect on retention persists over the four quarters following the initial intervention. Further results from the empirical literature on awards are discussed in a paper analyzing awards from a strategic management perspective (Gallus and Frey, 2015).

While corporate sector awards have received some attention by researchers (Nelson, 2005) and the press (The Economist, 2010), providing some macro-level evidence on the use of awards, little is known about when and in what form awards are used in the non-profit sector. This is a particularly glaring void, since organizations in this sector are more constrained in their use of conventional incentives (in particular, money) than are firms.

5. An empirical investigation of awards in the voluntary sector

To gain specific information on the prevalence and design of awards in Switzerland's voluntary sector we set out to undertake an online survey in German-speaking Switzerland, from October to November 2014[1]. In particular, we wanted to know how awards are evaluated and employed as incentive instruments in this sector of society.

The population of the survey comprises voluntary organizations in German-speaking Switzerland involved in sports/leisure, culture, religion, interest groups, social services and health. In total, 4,952 institutions formed the basis of our sample. They were contacted via e-mail, and 3,528 of them (about 71 percent) opened the questionnaire. Of these, 2,151 respondents completed the survey. The response rate of 43.4 percent is substantial, especially when compared to similar surveys.

For the purpose of the analysis, the sample had to be reduced by 82 cases because the respective institutions were not active in the voluntary sector, or because they contained major errors. The final sample thus consisted of 2,069 cases.

The survey questions were developed taking into account the advice offered by experts and practitioners in the voluntary sector in Switzerland. Most questions were closed but in some cases the respondents were able to add comments to the questions and answers. To avoid distortions, the possible answers were arranged in a randomized sequence where possible.

The survey was constructed [...] such that it could be answered in less than ten minutes. The respondents were free not to answer a particular question. They were notified when they omitted an answer, but they had the option to leave questions unanswered.

Internet-based surveys have various advantages over postal ones. They can be undertaken more quickly, such that the general social, political and legal conditions under which an organization in the voluntary sector operates can be assumed to be

unchanged. Moreover, online surveys make it possible to reach a larger population, and respondents do not have to expend time and effort to return them. Compared to in-person interviews, a possibly distorting influence by the interviewer is avoided, especially as the respondents remain largely anonymous. However, online surveys also have disadvantages, such as a possibly large share of non-respondents, problems of understanding the questions posed, the participation of persons not meant to be addressed, as well as technical difficulties. A concerted effort was made to overcome these problems as far as possible.

Table I shows the distribution of the sample according to the area in which the respondents' organizations are active.

By far the greatest share of organizations belongs to the area of sports and leisure. The sectors culture and social services are about equally strong, while somewhat fewer respondents work in the religious sector, or in a pressure group.

The questionnaire intended to address persons in leading positions in the respective voluntary organizations. This was well achieved, as 68 percent of the respondents acted as presidents of the organization, and 13 percent as members of the board of directors. 11 percent were managing their institutions. Most respondents had considerable experience in the voluntary sector. In total, 21 percent of the respondents had been active in their organization for over 20 years, 28 percent between 11 and 20 years, 25 percent between six and ten years, and 24 percent between one and five years. Only 3 percent had been involved with their organization for less than one year.

A quarter of the organizations surveyed reportedly do not employ any paid workers, i.e., they totally rely on volunteers, and 50 percent have only one paid employee. Roughly three quarters have no more than five employees. All in all, the size of the institutions surveyed is relatively small. One quarter of the responding organizations relies on up to seven volunteers. Half of the organizations surveyed have up to 15 volunteers, and 75 percent have no more than 35 volunteers. The average volunteer reportedly works 3.42 hours per week.

5.1 Results

Among the 2,069 organizations participating in the survey, 38 percent employ awards to honor volunteers. In contrast, 62 percent indicate that they do not bequeath any awards. Various reasons are mentioned for this decision. By far the most frequently given reason (54 percent) is that the respective organization uses other forms of recognition. For instance, volunteers are given the possibility to ask for a formal identification card accounting for the time spent volunteering. Other organizations offer their volunteers reduced membership fees, a joint outing, or they invite them to a yearly dinner. Many respondents indicate that instead of employing awards they entertain a culture of acknowledgment in their organization.

Sector	Sports/ Leisure	Culture	Religion	Interest groups	Social services	Health	Other	Total
Absolute number	1,138	227	138	88	241	182	55	2,069
Share	55%	11%	6.70%	4.30%	11.60%	8.80%	2.60%	100%

Table I.
Sample

The second most often stated reason for not using awards is a reluctance to single out a particular individual for fear of causing negative effects on volunteers not receiving an award. In total, 23 percent of the organizations state that it is not necessary for them to hand out awards. The respective respondents indicate that their volunteers do not expect, nor need, awards, or that it is the task of the commune or the umbrella organization to extend honors. In total, 22 percent judge that handing out awards is not an appropriate instrument to honor their volunteers, and 21 percent state that awards are inconsistent with their organizational culture. Overall, 12 percent feel that their volunteers do not appreciate standing in the center of attention. Only 6 percent indicate that they have inadequate capacities to bequeath awards. According to these respondents, a comparison between the costs and benefits suggests that handing out awards is a mistaken policy. Interestingly only 2 percent of respondents indicate that a “destruction of motivation” of the volunteers might be caused by handing out awards. The crowding-out effect is thus not considered to be a major issue with awards. In addition to the reasons just mentioned some organizations are currently involved in developing a recognition system for their volunteers, but respondents indicate that criteria are missing with which to decide who gets what award and how this is to be arranged.

Table II shows the types of awards bequeathed by the voluntary organizations.

More than half of the organizations award titles, such as Honorary Member or Honorary President, which can be considered a specific form of award. Public appraisals of volunteers and certificates are used by about one-third of the organizations surveyed. Medals, pins and trophies play a somewhat less prominent role. Nominations of a “Volunteer of the Month” or “Volunteer of the Year” are hardly used. In addition, 34 percent of the organizations state that they use additional forms of honoring volunteers. An example is a formal identification card accounting for the time spent in volunteering, personalized gifts, vouchers, thanking dinners, flowers, wine, and praise in the organization’s journal, as well as formal thanks and honors at the general meeting.

The number of award recipients per year varies a lot 25 percent of the 774 responding organizations limit the number of award recipients to one volunteer per year. Only 4 percent of the organizations surveyed bequeath awards to outside persons. Table III illustrates who is involved in making decisions on [...] on the number and form of awards handed out.

Types of awards	Honorific titles	Public praise	Certificates	Medals	Pins	Trophies	Volunteer month/y ^a	Other
Frequency	58.1%	33.8%	29.7%	17.2%	12.4%	8.7%	3.3%	34.4%

Note: ^aVolunteer month/y stands for the distinction Volunteer of the Month or Volunteer of the Year

Table II.
Types of awards

Decision maker	Board of directors	General manager	Employees	Volunteers	Jury
Prevalence	90.4%	12%	6.60%	6.3%	2.2%

Note: In some organizations, decision making may be joint, therefore multiple responses were permitted

Table III.
Parties involved in decision making on awards

The board of directors clearly dominates in the decision making on awards. The general manager is much less often involved in the decision process. Only rarely are the employees or the volunteers themselves involved. Almost never is a jury taking part.

The survey asked the voluntary organizations to evaluate the importance of three different reasons for bestowing awards:

- in total, 89 percent of respondents indicate that an engagement beyond the average is an important criterion to receive an award;
- in total, 84 percent consider the time period a volunteer has been working for the organization, or a jubilee, to be important; and
- more than three quarters of the respondents take it to be important to honor a volunteer upon leaving their organization.

In addition to these three criteria, the persons surveyed could indicate additional criteria relevant for handing out awards. Several responses point to the implications of voluntary engagement – the social value created – as being important. Others mention innovativeness and an extraordinary capacity to recruit new volunteers.

Most respondents think that awards have an overwhelmingly positive effect on the future engagement of volunteers. About two-thirds of them believe that awards have a “rather positive” (53 percent) or “very positive” (13 percent) effect on volunteers, inducing them to pursue their engagement. In contrast, about one-third of the respondents consider the positive effects to be “rather small” (27 percent) or inexistent (7 percent).

The assessments of whether volunteers like or dislike standing in the limelight yield an ambiguous picture. About half of the respondents agree that volunteers do not wish to be singled out, while the other half believes that the opposite holds.

We also asked the respondents to evaluate the possible effect on volunteers not having received an award. In total, 59 percent of the respondents think that awards may have a positive effect on such persons. Awards given to other volunteers are believed to motivate the non-awarded to emulate the awardees’ high performance. However, 41 percent indicate that persons not receiving an award become less motivated, and that they are not induced to follow the winners.

Overall, the results of our survey are not fully in line with our expectations, as formulated for instance in Frey and Gallus (2014) and Gallus and Frey (2015). According to theoretical reasoning, voluntary organizations can be seen as a sector of society where awards are particularly appropriate, for three major reasons:

- (1) Voluntary organizations in most cases seek to pursue the “social good”, which tends to be inconsistent with the use of monetary incentives. In contrast, awards serve well to bolster the intrinsic motivation on which the engagement of volunteers is based.
- (2) The use of monetary incentives may crowd out the underlying intrinsic motivation of volunteers. They may well think that they do the voluntary work without any compensation in terms of money, but if money is paid at all it should correspond to the existing salary level.
- (3) Voluntary organizations often are severely cash constrained and are hardly able to pay competitive salaries; they depend on unpaid volunteers.

The first two of these reasons are indeed mentioned by some respondents, but they are not considered of major importance. Surprisingly, 22 percent even think that awards

are inconsistent with their organization's "culture". Yet, it cannot be excluded that the respondents believe that monetary incentives are even less compatible with their goals. Only 2 percent indicate a possible crowding out of intrinsic motivation to be of any concern. Merely a handful of respondents point out the advantage of awards for cash constrained voluntary organizations.

These results may be interpreted in various ways. It cannot be excluded that the respondents take the three points mentioned above to be so obvious that they do not need to be restated. But this argument seems rather implausible. A second interpretation may be that in real life the theoretical points are dwarfed by other concerns and are therefore not in the forefront when answering questions about the experiences made in the respondent's own organization. This interpretation to some extent contradicts the first one. A third interpretation may be that the theory needs to be adjusted or basically revised before it is applied to the particular case of voluntary institutions in German-speaking Switzerland. Finally, a questionnaire may be an inappropriate instrument to capture the use and importance of awards. It should also be recalled that this, as well as most other surveys, cannot and does not intend to capture objective data; rather, the aim is to find out the subjective evaluations of those responding. Moreover, particular persons who do not necessarily represent the opinion of those not responding may self-select to participate in a survey.

None of the above reasons for the relatively weak importance accorded to awards in the voluntary sector can be excluded; they must be taken seriously. However, this does not mean that the results gained in the survey study would not provide useful insights. That 62 percent of the respondents stated that their organization does not employ awards may well be due to the fact that they have no experience with awards and are not aware of their potential positive effects. Once the effects of awards are better known, it may well be that more members of the board of directors and general managers in the voluntary sector will be prepared to bequeath awards. In that case, what needs to be done is to inform the responsible persons more fully about awards as a particularly useful incentive instrument in the voluntary sector.

6. Conclusions

Awards are nowadays used in all parts of society, and they have always been employed extensively in all periods and countries. It would be mistaken to only see them in terms of monarchical orders or military decorations. Awards also play a substantial role in culture and academia. They are widely used as an incentive instrument in for-profit enterprises. Indeed, some of the most modern and dynamic firms attribute great importance to honoring their employees with all sorts of awards, such as certificates (to be exhibited on the office wall), trophies, pins, and titles.

The extensive use of awards suggests that they fundamentally differ from monetary incentives normally considered in management and economics. We point out a significant number of ways in which awards deviate from money as an incentive instrument. Awards offer unique opportunities to the givers for motivating their employees and binding them to the firm. Awards also provide different benefits to the recipients, above and beyond what monetary payments can achieve. Most importantly, awards are particularly well suited to cater to employees' deeply ingrained desire to be acknowledged and recognized.

This paper discusses empirical evidence suggesting that awards have a systematic and often positive effect on performance. It is shown that the productivity of academics is considerably raised after having received important scholarly awards, compared to a

group of twin scholars synthetically constructed to mirror the winners. This is no obvious result as it could well be expected that recipients stop doing serious work after having received an award.

As a basis for studying awards in the non-profit sector, an extensive survey study was conducted among voluntary organizations in Switzerland. First results indicate that awards so far are not widely used, and that part of the leaders of such organizations are skeptical about the effectiveness of awards for motivating volunteers. However, the reason for this reticence may well be that these persons are little aware of the advantages of using awards in the voluntary sector.

Our discussion clearly reveals that the social science research on awards is at its very beginning. In particular, little empirical research is available that could provide us with reliable evidence under which conditions awards serve as useful motivational instruments compared to the well-explored effects of monetary incentives.

Note

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