

Team incentives and performance:

Evidence from a retail chain

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Abstract:

While there is ample evidence that incentive pay increases the performance of workers when individual performance can be measured, comparable evidence for teams is scarce. We fill this gap by reporting the results of a randomized experiment on team incentives with a retail chain of roughly 200 shops and 1200 employees. It is technologically impossible to measure individual performance, but the firm traditionally measures team, that is, shop performance along various dimensions. In 50% of the shops, we introduced a team bonus conditioned on targets fixed well before the team incentive was discussed. Treated shops increase their sales on average by three percent, and wages increase around 1.5 percent. Many of the shops reach sales levels beyond which the bonus is capped. Profits in the treated shops increase by a two digit number, and some workers increase their wages by ten percent. There is substantial heterogeneity in the treatment effect. Shops in cities compared to smaller communities feature much higher treatment effects, arguably because consumers react more intensively to increased sales activities and there is a broader range of products available in cities. Measures of job satisfaction seem to play no role.

Keywords: Randomized experiment, randomized controlled trial (RCT), field experiment, team bonus, insider econometrics