

Team Incentives, Social Cohesion, and Performance: A Natural Field Experiment

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Abstract: Theory predicts that the effect of team incentives on performance depends on team members' social relations. In particular, free-riding should be smaller when co-workers care more about each other. Conversely, team incentives may lead to more co-worker support or to higher peer pressure and thereby affect the team's social cohesion. We conduct a field experiment in a Dutch retail chain with 122 stores to study the interaction between team incentives, teams' social cohesion, and team performance. In a randomly selected subset of stores we introduce a short-term sales competition. Using validated survey measures, we gauge the social cohesion of stores' workforce both before and after the intervention, as well as co-worker support and peer pressure. The average treatment effect of the competition on sales is 1.5 percentage point, which does not differ significantly from zero. As predicted by theory, the estimated treatment effect increases in the team's social cohesion as measured before the competition. We find a statistically significant treatment effect on sales for the most cohesive quartile of stores. Using a difference-in-difference estimation on survey responses, we find a positive treatment effect on co-worker support and no effect on peer pressure. Teams' social cohesion is not affected.