Chapter XVIII

Incentives and Rewards: Motivating Knowledge Sharing

Abstract

This chapter analyses the influence of incentives and rewards on knowledge sharing behaviour. A case study was undertaken to compare knowledge-sharing behaviour among graduate students in a global MBA program under different grading conditions. The study found no difference in the amount and nature of students’ contributions to the discussion board between graded, mixed, and nongraded conditions. These findings suggest that intrinsic rewards may have equally powerful effect as extrinsic ones on knowledge-sharing behaviour.
Motivating people to share their knowledge with others represents a major challenge in knowledge management. Modern knowledge intensive organisations are trying to address this challenge by linking the knowledge-sharing activities of employees to some incentive and reward systems. The literature suggests that externally or internally induced motivation may have a beneficial effect on knowledge sharing. In general, high level of motivation is expected to lead to greater willingness of people to share what they know with their peers.

In the knowledge-based view of the firm (Spender, 1996; Teece, 2000), knowledge is considered as the main driver of a firm’s competitive advantage. The sharing of knowledge across individual and organizational boundaries is considered important for preventing knowledge gaps that are likely to produce less-than-desirable work. Among main motives for knowledge sharing, Muller et al. (Muller, Spiliopoulou, & Lenz, 2005) identifies altruism, conditional cooperation, strategic reciprocity, reputation, social norms, group identity, and payoff.

Bock, Zmud, Kim, and Lee (2005) classify motivating drivers into economic (anticipated extrinsic rewards), sociopsychological (anticipated reciprocal relationships and sense of self-worth), and sociological (fairness, innovativeness, and affiliation). The idea of an incentive system is to align individual benefits of knowledge sharing with corporate goals. Evangelou and Kracapilidis (2005) propose a framework of incentives of both positive and negative reinforcement that act as catalysts to the knowledge-sharing procedure.

Davenport, De Long, and Beers (1998) argue that motivation to contribute knowledge is an intangible critical success factor for any KM project. Hauschild et al. (Hauschild, Licht, & Stein, 2001) found that less successful companies tend to take a top-down approach: pushing knowledge to where it is needed. More successful companies, by contrast, reward employees for seeking, sharing, and creating knowledge. However, even rewarding knowledge sharing explicitly may work only partially as evident from the McKinsey case study (Ghosh, 2004), where carefully planned incentive programs to motivate knowledge sharing through increased visibility, trust, and justified rewards still create issues.

The key lesson from this analysis is that motivation to share is a difficult issue to address, as it relates to changing people’s perception and behaviour. It is closely tied to the cultural norm of an organisation. According to Handzic and Zhou (2005), this issue is not well addressed at present. This is reflected in the current KM practice, where less management attention is paid to rewards and incentives for knowledge sharing than to employee training, KM systems development, organisational structure, and organisational culture (Zhou & Fink, 2003).
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