

H4 Consulting Brief

Carrot and Stick

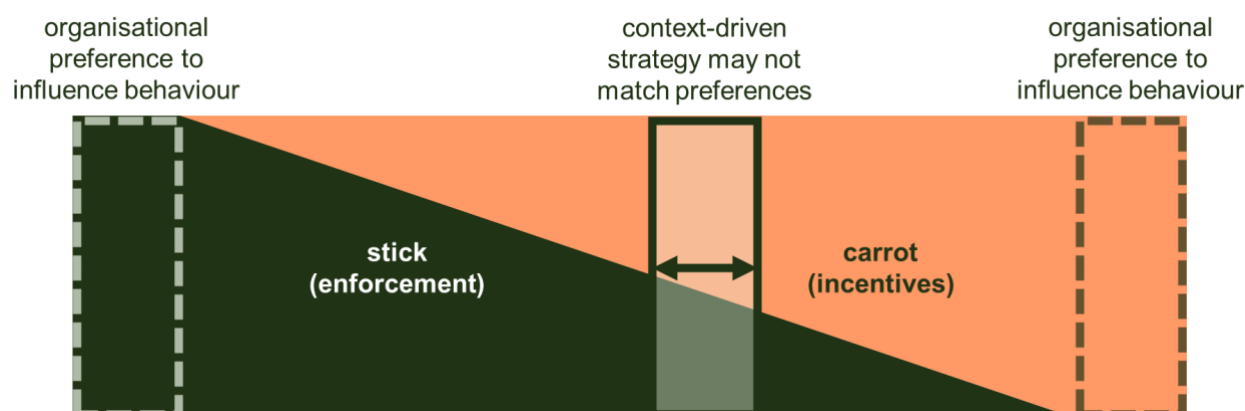
People respond to incentives and enforcement to different degrees in different contexts. Either, or both, can be effective ways to influence behaviour, but many publicly funded organisations have strong cultural preferences for using one or the other to achieve their aims. These organisations may fail to consider the full range of available tools, and their relative strengths and weaknesses, when allocating finite resources between carrots or sticks.

Most publicly funded organisations try to influence the behaviour of their workers, customers, and other stakeholders in ways that are often deeply rooted in their history and mandate. Preferences for how they do that tend to become stronger over time, as the organisation accumulates experience with a strategy.

Some organisations prefer incentives to encourage desired behaviour by rewarding targeted effort or outcomes. Giving and receiving rewards can be enjoyable and engaging, and relies on resources other than authority, which some organisations regard as adversarial and disengaging. Other organisations prefer to use enforcement to discourage undesirable behaviours by imposing penalties or punishments that rely heavily on authority. These organisations often dismiss incentives as ineffective or expensive.

Both incentives and enforcement strategies have costs, in authority and other resources, as well as benefits, such as in engagement and compliance. The mix of costs and benefits makes different strategies more or less well suited to specific policy domains or behaviours. Organisations with strong preferences for one or the other may overlook alternative approaches that could be more effective in specific cases.

Organisations that overuse one strategy may also find that the behaviour of the intended audience changes in unexpected ways. Overusing incentives, for example, can lead people to expect rewards for normal behaviour or minimal performance and game the system to chase rewards. Overusing enforcement can undermine legitimacy and trust, or be dismissed as irrelevant if not imposed for every breach.



Strategies should be matched to the audience and context, not just the habits and preferences of the organisation. Many factors can influence the mix of incentives and enforcement that will balance effectiveness and efficiency for any policy question. These include the nature of the problem, the audience, the desired outcome or behaviour, the frequency and severity of the behaviour, community expectations, eligibility for rewards or punishment, implementation costs, alignment with the values of the organisation and the audience, and the attitudes and relationship between the organisation and the audience.

The most appropriate strategy may be incentives only, like lower insurance premiums for safe drivers, enforcement only, like fines or custodial sentences for unsafe driving, or some combination of both.

The universe of publicly funded organisations uses both incentives and enforcement to solve policy problems because neither approach is effective in every case. It is easy, however, for an individual publicly funded organisation to assume that one or the other will always be the best fit to achieve its goals. Considering the relative merits of both approaches for new problems, and adjusting the mix for existing ones as the context changes, helps organisations to use the best mix of tools for each job, not just the ones they are most comfortable using.

Considering all the options also reduces the risk that overused strategies will distort behaviour in unintended ways, and creates opportunities to send mutually reinforcing signals about desired behaviours by investing in a mixed bag of carrots and sticks.

To find out more about how you can use this approach in your organisation, contact us: info@h4consulting.com.au
Find additional resources at www.h4consulting.com.au/resources