

# Team incentives and performance: Evidence from a retail chain<sup>1</sup>

February 2015

Guido Friebel, Matthias Heinz, Miriam Krüger, Nick Zubanov

**Abstract:** We test the effectiveness of team incentives by running a natural field experiment in a retail chain of 193 shops and 1,300 employees. A bonus was offered to shop sales teams for sales surpassing the pre-existing targets. The team bonus, introduced in response to intensified market competition, is a natural choice for our study firm, where teamwork is required by technology and individual sales performance is unobservable. On average, team bonus increases sales and customer visits in the treated shops by around 3%, and wages by 2.3%. The bonus is highly profitable for the firm, generating an extra 3.8 \$ of sales, and 2.1 \$ of operational profit, per dollar spent. The treatment effect is heterogeneous along several dimensions, as predicted by our theoretical model, being larger in shops located in big towns, employing younger workers, and with fewer “mini-job” employees, who could not partake in the bonus program for tax reasons. Our results show the importance of complementarities within teams and suggest that improved operational efficiency is the main mechanism behind the treatment effect.

**Keywords:** management practices, randomized controlled trial (RCT), natural field experiment, team incentives, insider econometrics

**JEL codes:** D23, J33, M52

---

<sup>1</sup>All authors are at Goethe University Frankfurt, except for Heinz at University of Cologne. Friebel is also affiliated with CEPR and IZA, and Zubanov with IZA. We are grateful for the support of Deutsche Forschungsgemeinschaft (DFG). We would like to thank for their comments: Oriana Bandiera, Iwan Barankay, Nick Bloom, Thomas Dohmen, Florian Englmaier, Niels Kemper, Michael Kosfeld, Johan Lagerlöf, John List, Devesh Rustagi, Ori Shelef, Dirk Sliwka, Matthias Sutter and participants in seminars at Adelaide, Bergen, Birmingham, Bonn, Cologne, Columbia, Copenhagen, University of Otago, the EBRD, Frankfurt, King’s College, Maastricht, Rotterdam, QUT in Brisbane, University of East Anglia, UNSW, a conference organized by the university of Aarhus, a workshop organized by LMU Munich, the Annual GEABA conference and the NBER Organizational Economics Working Group Meeting 2014 in Stanford. We would also like to praise the team spirit of our partners in our study firm, and of Artur Anshukov, Sandra Fakiner, Larissa Fuchs, Andre Groeger, Daniel Herbold, Malte Heisel, Robin Kraft, Stefan Pasch, Jutta Preussler, Elsa Schmooch, Patrick Schneider, Sonja Stamness, Carolin Wegner, Sascha Wilhelm, Sandra Wuest, who provided excellent research assistance.