

Cash vs. Non-Cash Reinforcement

Productivity improvement is one of the biggest issues facing business today. And while there is no doubt that CASH compensation (both fixed and variable) is one of the critical “satisfiers” when it comes to choosing a job; choosing whether or not to stay with a job; and directing the primary focus of the worker; a remaining issue is “what type of reward best inspires **incremental effort** (over and above fulfillment of the basic requirements)?”

My 20+ years of experience have taught me that once the basic needs are met with a good cash compensation program, then a properly structured **non-cash reinforcement program can inspire the best “stretch” performance** and create the best return on investment for the sponsor.

The reasons why cash loses its luster (in these “over and above” situations) seem to fall into two basic realities - both related to how cash is perceived as a reward.

- 1) The cash awarded for the noteworthy “over and above” performance totally loses its identity. The winner simply deposits the cash into his/her bank account and it is used, along with the other funds in that account, to pay the mundane bills of our everyday life or to add to the savings account. It loses its relationship to the performance! Or,
- 2) The winner decides that in spite of those pressures to pay the bills, or add to the emergency fund, or add to the college fund...that they will use this money to buy some “wish item” for themselves – the leather jacket, big screen TV, trip to Hawaii, etc. Then, instead of the joy and excitement that should surround this accomplishment, the winner may want to downplay this award so as not to look or feel selfish, and it may even end up generating guilt rather than satisfaction.

Non-cash awards, on the other hand, can solve these problems by not allowing a cash option and by presenting a highly desirable and visible selection of “wish” awards.

These awards are displayed and “romanced” prominently from the very beginning. They appeal to the emotional right side of the human brain – the side that creates the motivation. The award desired will stand out as a motivator during the program and once earned will be remembered.

And, because there is no cash option, there is no bank account/savings/bill paying option, and therefore, there is NO risk of creating guilt!

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