

To “incent”, or not to “incent”, that is the question...

Are non-compensation incentive programs a legitimate and effective method of improving performance?

All companies today are being pressured to improve their output while reducing or controlling their inputs—trying to do more with less. While there are many different theories and practices on how to best accomplish this, most companies are:

- ☞ Focusing on utilizing more technology
- ☞ Improving employee skills through training, and
- ☞ Closely aligning the compensation program with corporate objectives (variable pay systems, profit sharing, stock options, gain sharing, etc).

While most of these companies can clearly see the value of the variable pay plans for their compensation structure, there is quite a bit of controversy about the **non-compensation reward and recognition** programs that have been used at an increasing rate in these past decades. Contributing to this controversy is the fact that these initiatives are somewhat difficult to discuss because they are usually short term, they have relatively small budgets (especially compared to compensation), they are often managed “below the radar screen” within departments or groups, and because there is no common terminology. These programs are often called various names by various people – names such as: spiff programs, spurt programs, incentive programs, activity reinforcement programs, recognition programs, peer-to-peer reward programs, etc.

There has always been a school of thought that believes these programs are not legitimate because....

- ☞ They are just a form of bribery
- ☞ They are some type of weird experimentation in gestalt psychology
- ☞ Extrinsic motivation is not nearly as effective as intrinsic motivation
- ☞ Keeping their jobs should be all the motivation that employees need
- ☞ We have to change attitudes before we can change behavior.

My experience is that in a perfect world these motivation programs would not be necessary....

IF companies were fortunate enough to employ only intrinsically motivated people

IF companies had excellent management up and down the entire organization

IF the company had clearly defined and communicated missions, values, and goals

IF the compensation programs were all perfectly aligned with these goals

IF the company had the time and money to work on changing attitudes

IF there were a reasonable span of control at each management level, and

IF there were an effective method for communicating and reinforcing the changes that have to be made within the organization to respond to competitive or marketplace changes...

THEN, non-compensation incentive programs would not be necessary.

Unfortunately, we live in an imperfect world where few of the above are true on a consistent basis. In this world, a well designed incentive program can be an important part of your overall communication and reinforcement strategy.

What are the characteristics of a well designed incentive program?

- ☞ It supports the company's mission, values, and goals.
- ☞ It has an interesting/engaging design.
- ☞ It encourages extra/incremental effort from the participants.
- ☞ It complements the compensation program, but is not redundant to the compensation program.

(For more information see the earlier article "Motivation Basics")

How can a well designed incentive program help you?

It can help you to achieve your objectives (with an attractive ROI).

It can reinforce those things that are important to the company but not directly reinforced through the compensation program.

It can help you to communicate priorities.

It can help you to identify talent (those individuals and teams who embrace the effort and achieve results).

It is an opportunity to focus on, and reinforce, key ACTIVITIES (since compensation usually focuses on RESULTS). You can “model” the activities performed by your most successful employees.

It can help you to define the smaller steps necessary to get to the bigger goal.

And it is a great way to positively reinforce those small improvements that are often overlooked in the big picture.

It can positively reinforce the constant “change” which is so vital to your continued growth.

It can give you something positive to talk to your employees about...something positive to focus on.

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Helping you to achieve your objectives

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