



## MOTIVATION & INCENTIVES

*Does your corporate incentive scheme fail to motivate some of your team members? This is probably because it fails to pass one of three critical tests.*

To qualify for an incentive the team member normally has to reach an agreed goal. For your incentive scheme to really motivate your team members they must be able to answer these three questions positively:

1. If I really apply myself can I lift my performance enough to reach the required goal(s)?
2. If I can do this will I actually get the rewards that are offered?
3. Do the offered rewards matter enough to me to justify the necessary effort?

A common failing is specifying goals that are unattainable or subjective ie hard to measure. When this happens your team member cannot be confident of meeting Condition 1. Perhaps there are also systemic issues in the organisation that make achievement impossible.

Many incentive schemes do not meet conditions 2 and 3. Individual team members often achieve the goals set for them but don't get the rewards unless the company, business unit and entire team have also achieved all their goals. So your team member might personally do all that was required but not get the reward – this is very demotivating.

For some people the money reward is insufficient to spur them to greater efforts – it doesn't matter enough – Condition 3. Maybe the after tax dollars aren't worth the extra effort. Also, for many people more money is just not what turns them on.

Extensive research by Victor Vroom has established these 3 conditions as paramount in creating positive linkage between the design of an incentive scheme and the desire of workers to achieve the incentive. This is known as Vroom's Expectancy Theory.

The best incentive schemes give control of the outcome to each individual. This means agreeing on clear targets, which can be properly measured and giving each person regular access to the measurements. The worst are those where the decision to grant a bonus is entirely at the discretion of the boss – this is not an incentive for future performance but merely a reward for past effort. We also often hear complaints of schemes where, when targets look like being achieved, management move the goal posts.

Good incentive schemes are great motivators but bad ones cause resentment and are worse than no incentive. Don't hesitate to call us if you would like to discuss any of these concepts.



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