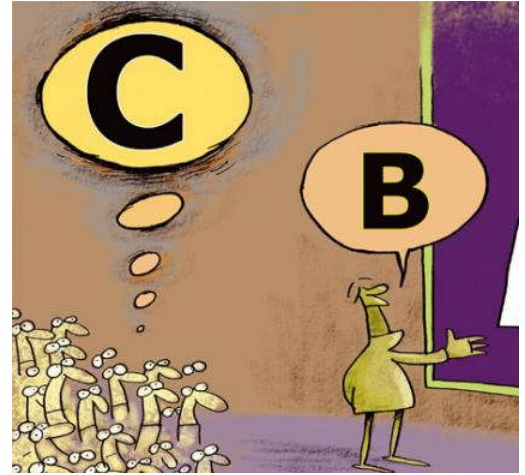


Be Careful What You Ask For?

(You'll might just get it!)

Performance related pay is a subject that surfaces with clients on a regular basis. Managers want to drive performance and are usually prepared to share some of the benefits of hard work but it's not a one dimensional subject and more pay certainly does not equal more performance in a linear way (wouldn't life be easy if it did!). There is also a lot of science that says that in tasks that require a lot of right brain cognitive activity then a contingent reward (*if you do X then I will give you Y*) is way less effective than an intrinsic reward (*now you have done X then I will give you Y*) where the reward is less tangible – winning, being part of a team, overcoming an obstacle.



Non the less sometimes clients like to set goals and link rewards to those goals but this is an area that is fraught with problems. The example of rewarding the person on the saw for producing cut lengths when what you actually want is finished product... and thereby creating lots and lots of cut bars to sort through and no more (or maybe even less) frames is pretty clear and in a manufacturing environment asking for what you want is pretty clear.... Or should be but sometimes cause and effect is more subtle.

Take the example of a client that rewarded team members for setting appointments and established a target of X per month. Once the team member had hit X appointments they received a bonus. If the Team member went over X then each extra appointment earned £25. Simple enough you'd think but it drove behaviour that was arguably counter productive and at the very least costly and divisive. Clear controls were in place to make sure appointments were genuine so that was no problem BUT Team members hit their monthly target then saved appointments for the next month to ensure they hit next months target (worth way more than an extra £25) delaying the customer service and resulting in slower less effective calls. A thriving under the counter black market soon developed for appointments. Team members who were failing would "buy appointments from another colleague to make sure they hit their targets and 'earn' their bonus (hiding under-performers in the team as a by-product of this behaviour). Team members who had hit their target and were confident that that next months was going to be 'in the bag' would 'buy' appointments from people who had given up on this month's target and therefore earn £25 for each one.

Managers insisted that that these employees were a Team, preached that to them and in fact the Team had a target to hit as a whole. Whilst there was a small Team bonus it was far outweighed by the individual rewards so managers wanted a Team that cooperated worked together and helped each other but the rewards conspired to drive individual advantage so one or two Team members would be paid a bonus even when the team target was not hit. This fuelled the annoyance of the people that serviced those calls who were rewarded on a completely different metric and sometimes saw bonus

being paid to others when they could not hit their targets as there were not enough calls to be done.

The lesson is simple you need to align rewards with what you really want, Profit share is by far the best way to do this, it drives cooperative behaviour, it rewards what you actually want rather than optimising some part of a process, it encompasses cost (waste costs the employee and the business money), customer service (Employees want happy customers as much as you do), you can afford to pay it (it's profit after all), it is an intrinsic reward that is more highly valued (It's a thank you), it drives engagement in a common enterprise. It only works when employees trust you though.... And that's a whole other conversation about culture

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