

# Incentives and Rewards: Lazy or Excellent Management?

Rather than starting with incentives, seek out and neutralize what might demotivate someone in the first place.

**T**he following excerpt is from a 1993 HBR article entitled “Rethinking Rewards”: “In fact, we believe our incentive compensation program is at the heart of our company’s success. . . . Since we adopted this approach, the quality of the budgeting process has substantially improved. Finally, award opportunities are uncapped, and, as a result, they encourage the entrepreneurial spirit that we value. When designed effectively and integrated thoroughly into the management process, executive incentive programs work well for management and shareholders alike.” That article was written by L. Dennis Kozlowski, former chairman and CEO of Tyco. He was convicted on June 17, 2005, for financial crimes.

Incentives and rewards do prompt and reinforce behavior, but are they the right behaviors and are incentives and rewards the most effective approach to yield the right results? Not always, but they are easier than the hard and important work of influencing, inspiring, and coaching others.

## What of Incentives?

If company leadership were to imagine what excellence in performance looks like, what role do incentives play? To many, excellence looks like a high degree of employee engagement. But what does engagement look like, and how do we get more of it? Perhaps you desire more volunteers rather than voluntolds? Perhaps you want employees to self-report issues or provide suggestions?

Too often, organizations attempting to capture greater volunteers or employee suggestions start by offering incentives, which can get the wrong people involved or even the right people but for the wrong reason. Used to prompt suggestions, incentives can easily create fiction-writing contests.

Excellence in any culture should not be defined by what we have to do to prompt desirable behavior. Excellence is achieved and sustained when individuals within the group are individually motivated to behave in ways that go above and beyond what is required to remain employed. Rather than starting with incentives, seek out and neutralize what might demotivate someone in the first place. Why wouldn’t someone volunteer? Why wouldn’t they offer improvement suggestions?

## What of Rewards?

Rewards can be effective if they reinforce the desirable behaviors that contributed to achieving results. If they are timely and even unexpected, they can provide value. The same holds true for posi-

tive reinforcement in the form of direct feedback from the individual’s leader. Unfortunately, many in leadership positions are not taught the skills to coach effectively for behavior, provide feedback that encourages effective future performance, or how to facilitate that performance. So we rely on rewards.

However, be cautious with the advice of praising (rewards) in public and criticizing in private. What motivates one person can demotivate another. What if you embarrass someone by bringing them on stage to recognize them in front of their peers? Might they work to not get that same recognition next time? Unless you know rewards do indeed motivate in public, both praise and criticize in private.

When using rewards, we must ensure people are performing these desirable behaviors for the right reason and not just to receive the reward. When people know of the potential for the reward, it becomes an incentive. Consider if the goal wasn’t reached and people did not receive the reward, are they more upset about not accomplishing the goal or not receiving the reward? The answer provides insight into current motivation.

Choose to set goals, inspire, coach, and recognize behavioral contributions. There is nothing wrong with rewarding great accomplishments, just don’t let that create a sense of entitlement. When people see progress toward goals and are recognized for their individual efforts, you are developing a much more sustainable model for performance than incentives provide.

We have yet to know all there is to know about the complicated human minds and the role incentives and rewards can play. Incentives can certainly sometimes be a starting point in some situations; they just shouldn’t be the ending one. If you really want to motivate people, get to know them: What makes them tick, what gets them out of bed each day with a sense of purpose? The unfortunate reality is most people arrive at work intrinsically motivated, but this motivation gets beaten out of them throughout the day. Rather than starting with incentive and reward programs, first get to know the individuals and, second, stop demotivating them. **OHS**

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