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Checking your non-financial incentives

You can generate a diverse variety of non-financial incentives suitable for your own business context. To ensure they are successful, you might want to check that they don't violate important motivational principles which may cause them to backfire.

1. Non-financial rewards are more likely to succeed in a climate of trust. If people don't believe you're sincere about their well-being, the initiative won't go very far. If this is your situation, first fix the trust issues!

2. Be careful how you allocate these incentives. Especially, ensure that people perceive their allocation as being fair. 'Fairness' is detected at gut-level, so it's automatic, unconscious and very powerful! It's a massive boost also when this works in your favour.

For example, everyone has their threshold for hard cash and related benefits. People may feel exploited if the non-financial rewards are perceived as substituting for fair pay.

3. If you give out small rewards, such as dinner for two, maintain the element of surprise. Don't allow those rewards to be seen as 'pay for service'. If this happens, people will come to expect them and the incentives lose their value. They may even become resented!

LEVERAGE NON-FINANCIAL INCENTIVES

A squandered opportunity to motivate

NAB's most recent quarterly survey of Australian business conditions is positive. And that's a big improvement on just one quarter ago. Sales, profitability and employment are up. Vitality, so is optimism for the forthcoming 12 months.

But let's not kid ourselves. While improving, conditions are still challenging. Businesses are looking for ways to foster productivity and growth, but without having access to cheap funds or unlimited cash.

It has also been reported that organisations *are* in a much healthier cash position. However, they're cautious about frittering this strategic advantage away, especially on wage hikes which may be unsustainable if the climate changes.

A concern that UGM clients have voiced is how they might better leverage non-financial incentives. This is essential, because financial rewards are at their limits. Interestingly, prior research we've done on teamwork shows that managers are often weak at using non-financial incentives. So this is definitely an area where organisations can sharpen the saw.

In these leaner times, wouldn't it be of great value to develop a strong habit of maximising the use of non-financial rewards? Then, when the 'good times' return, as they will, the non-financial incentives habit will endure.

Additional benefits of non-financial incentives

A major reason we've been aware of the significant under-utilisation of non-financial incentives is because of the research showing financial rewards have motivational limitations. No doubt you can readily recount instances where people turned down cash incentives to switch companies. Or, perhaps you've had staff who've refused extra hours in favour of more leisure time? And we're not only thinking about the Gen Y's here!

You may have come across the powerful work on human motivation by Frederick Herzberg? As early as 1959, he proposed his Motivation-Hygiene Theory on job satisfaction. It's even more relevant today, in a more affluent society, than it was back then!

Essentially, satisfactory pay and benefits, non-obstructive company policy, good collegial relationships and a decent boss are hygiene factors. They don't really motivate people when they're present—but expect a rev when they're missing!

On the other hand, people are motivated by achievement, recognition, interesting work, responsibility, promotion and growth. Although there may be financial implications attached to some

of these (e.g. promotion), the motivational elements are non-financial. It's not about more money, per se, but rather a sense of being valued. You might like to review previous briefings where we've highlighted the incredibly powerful impact of contributing and belonging on performance.

Non-commissioned is work more innovative

Speaker-author, Dan Pink, highlights in his book, *Drive*, that the carrot and stick approach to motivation is limited. It's pretty effective in uncomplicated contexts, when there is a clear linear relationship between output and reward or punishment. If you produce 10 items in one hour you will get \$20. Or, if you travel 60km/h in a 50km zone, your fine will be \$200. But when the work is complex, such as much of the knowledge work of today, there is a lot more to motivation and reward.

In a speech to the Business Innovation Factory in November 2011, Pink points out that substantial innovation is being generated during 'free-wheeling' work time. This is time during work hours granted to employees to 'do their own thing'. All output is still owned by the company.

Examples abound and include the Nobel-Prize winning discovery of graphene, a substance one atom thick. Most of Twitter's recent innovations emerged from a 'hack week'. And Google News and Gmail were born in Google's '20 per cent time'. Standout Australian software group, Atlassian, has also reaped extensive benefits using the approach.

We get some insight into why this 'employee time' is so powerful from a study by Harvard researchers. Twenty-three painters and sculptors each submitted 10 commissioned and 10 non-commissioned works for blind-evaluation, assessed by a distinguished panel of experts. While both categories of work were judged technically equivalent, the non-commissioned works were judged as being substantially more creative. Although always aiming to do good work, the artists reported feeling constrained by the commission. But, they felt free to express themselves when working on their own projects. 'Employee time' can be a particularly powerful, win-win non-financial incentive.

Apply the principles yourself

We purposely haven't included a long list of options. We anticipate the principles we've outlined are sufficient for you to generate plenty of non-financial incentives in your own context. Herzberg's motivators—achievement, recognition, interesting work, responsibility, promotion and personal growth—provide endless combinations and opportunities. Start living the principles by tasking a small group of your high performing employees, from different levels, with the task of identifying suitable non-financial incentives.