



## LEVERAGE NON-FINANCIAL INCENTIVES

### 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!

### *A squandered opportunity to motivate*

The most recent quarterly survey of Australian business conditions (NAB Business Survey Sept 2016) is positive. In fact, "business conditions are still well above long-run levels". Inflation may be keeping wage growth in check, but there are signs that suitable skills are increasingly harder to source. Also, hiring intentions for next year have "picked up markedly". Both factors could put upward pressure on wages.

Businesses are looking for ways to foster productivity and growth, to take full advantage of economic opportunity. But, they'd understandably rather do that without adding to the wages bill for now. Holding at the current rates for as long as possible will give room for increases when the trend becomes widespread and unavoidable.

A concern that UGM clients have voiced is how they might better leverage non-financial incentives, instead of simply raising wages. 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.

Like any of the other managerial skills, developing a portfolio of ways to approach remuneration is one that managers can learn and improve over time. While it may not be the most refined management skill generally, all it takes to improve is a little thoughtful consideration. It does also mean that you'll need to know your people – which itself can be very useful for boosting productivity.

### *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 and previous briefings highlight the 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.

Atlassian, the high-performing Australian software group, has made good use of non-financial rewards. Fortune's 2016 '100 best companies to work for' survey illustrates this point. 95% of employees agreed that 'people celebrate special events around here'. 94% stated 'I am able to take time off from work when I think it's necessary'. Perks and programs include paid volunteer time (5 days a year), 'kudos to you' (recognises good service from colleagues) and a program that encourages and supports a healthy work-life balance. And, there are plenty more on the list!

Atlassian also gives employees some freedom to pursue their own ideas, during work hours, that might improve or grow the business. We get some insight into why this 'employee time' can be 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 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.