PERFORMANCE INCENTIVE SYSTEMS GUIDE

Abstract: The purpose of the Performance Incentive Systems Guide is to *reinforce* the development and maintenance of an organizational culture of continuous improvement, safety and high performance. This is an *integral aspect* of the *organizational mission goal* of striving for, and achieving, *high quality standards*.

Objectives:

1) **Identify desired critical behaviors. (What you want to see.)**

2) **Establish achievement criteria by distinguishing between *different levels* of performance *maintained*, and performance *improvements*.**

3) **Identify strong personal, group and organizational motivators.**

4) **Provide recognition and rewards commensurate with maintained high performance and/or performance improvements.**

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1) *Identify Critical Behaviors*

Identify desired critical behaviors among *all* staff, *including top, middle* and *line management* staff. Define and articulate these by description. Create an inventory of critical behaviors.

Note: In describing critical behaviors, one must go beyond expressing a desire for a certain kind of attitude or style. For example, "*good work attitude*" or "*cooperative behavior*" are qualitative descriptions which can help set the tone for a description. They may even serve well as title for a category of critical behaviors. However, the desired behaviors themselves must be observable, and recordable behaviors that are quantifiable. *Thus, the critical behaviors identified must be describable in actual observable terms.*

The following are some examples of desired behavior types, along with a specific description of a critical behavior:

- ■ *Following Proper Ergonomics Procedures -*
  - Bending at the knees, holding load close to the body, keeping back straight
  - Properly using materials handling device
  - Asking for assistance when necessary or unsure

- Providing diligent lift assistance when asked
- Storing large, bulkier inventory, products, or equipment at the lowest to mid-levels and storing smaller, lighter products or equipment at higher levels and above shoulder, limit overhead reach

■ *Implementing Protocol & Policy*
- For Supervisors - consistently enforcing work rules, i.e. counseling or writing up employees and providing positive feedback *as appropriate* for infractions (especially when unpopular, or with a difficult employee), maintained strong performance, or performance improvements, respectively.
- For Supervisors - consistently and appropriately providing daily verbal recognition to employees for maintained and improved performance
- For Employees - immediately reporting incident and/or near misses
             - thoroughly completing ROM, oral hygiene, handwashing, etc.
-              - assisting and encouraging others to follow proper protocols
        (especially when unpopular, or with a difficult coworker)

■ *(Enthusiastic) Participation*
- Providing valuable feedback about problems and improvements (preferably through existing formal system of communication)
- Volunteering to serve on committee, inspection team, development team, etc. or serve in some additional capacity to improve care/operations/unit/dept./facility
- Facilitating feedback from coworkers and clients

■ *Cooperative Work Practices*
- Offering assistance without being asked
- Diligently providing assistance with a smile and similar assuring feedback
- Doing something outside of your routine expected job duties

As time passes, the inventory of categories and the critical behaviors will continue to grow, so long as there is a high level of participation and involvement in the process. It serves as a category of behaviors to emulate, recognize and reward. It is also a method to help those involved, hone their skills in conceptualizing desired types of behaviors. It underscores the common underlying aspects of all desired behaviors for everyone else.

2) *Distinguishing Different Levels of Safety Performance and Improved Performance*

There should be a definitive hierarchy of the value of desired critical behaviors. It can be as simple as a three-tier system, small, medium and great. Or, it can be more sophisticated to enhance grades of value and impact of desired behaviors. This can be done in a ranking or point system. The idea is to have this system be weighted. Recognition values should be weighted heavier towards those behaviors that require more initiative, enthusiasm, thought, effort, or a break from old culture if it is stagnant. It is important to distinguish between different levels in order to reward accordingly. This will also demonstrate that the culture not only values good performance in general, but strives for improved, and high performance, by differentiating quality.

NOTE, if and when a system of observations is conducted to monitor for critical behaviors to arrive at an average score for future comparisons, then: normal or standard behaviors should be weighted less, and undesirable behaviors should be weighted much more. Substandard behaviors occur very quickly and are easily missed, and usually hid. Meanwhile, standard behaviors may be normally exhibited, but the problem is the level of *consistency*, what is perceived as "normal" and therefore, acceptable. i.e. "*some of the times*" or "*most of the times*", vs. "*all of the time*".

Assigning heavier weights in a performance formula for the nominal behaviors will yield more accurate results and can better help an organization achieve "*zero deviations*", or "*best practices*". This applies to observations made on a routine basis to benchmark performance in specific areas. Notable improvements or goals achieved through this process (improved scores over time) should be a criteria for recognition and reward, usually for the group or department being monitored. Individual improvements noted through this process can also be grounds for individual recognition and reward for maintained or improved safety performance.

3) *Identify Strong Personal, Group and Organizational Motivators*

Identify, through continued observations, questioning and brainstorming, the stronger motivators for every level of the organization, and individuals throughout each level of the organization. Use these as personal and formal reward and recognition tools. These are the *positive consequences that must coincide uniformly and frequently, when management and employees exercise and exhibit those desired critical behaviors in a notably improved fashion, and when such behaviors are maintained consistently*.

Effectiveness of Consequences -

The strongest consequences, or those that will reinforce a given behavior the best, are those that are: 1) positive; 2) immediate; 3) and certain to occur. Those consequences which are the weakest and have the least effect on behaviors are: 1) negative; 2) occurs at some later time after the behavior; and 3) uncertain to occur.

For example, breaking a diet rule and satisfying instant gratification by having a midnight snack of a chocolate cake is certainly positive, that satisfaction occurs immediately; and it is most certain to occur, unless the cake has rotted. On the other hand, most drivers speed and run yellow lights, and will continue to, even after receiving a summons because that consequence is negative, and although it is immediate, it certainly is highly unlikely to occur.

In designing and providing feedback, both negative and positive, keep in mind that discipline is necessary, but it is ineffective in motivation. Positive, immediate and consistent feedback builds the foundation for consistent behaviors. If you have consistent behaviors that are undesirable, or less than set standard, then it is probably because there has been a system of feedback that encourages that type of work practice. For example, if employees receive positive feedback from coworkers, and inadvertent positive feedback from supervisors for rushing through a job, cutting corners, skipping details of a care plan, working unsafe, yet *seemingly" efficient"*, they will most likely continue this style or work practice, even after being written up, which they will perceive as unfair. This would be similar to the sense of injustice at getting a

speeding ticket, or a DOH citation for not separating your recyclables from your regular trash, but everyone in your neighborhood does it. In essence, it is unfair because it is the accepted normal behavior, however, "I was pegged this time."

Thus, incentive programs are only effective in conjunction with real changes in expectations of standards of work practices. It is the formal reinforcement that supplements the informal set of consequences designed to modify behaviors.

Research Findings -

Generally speaking, studies reflect that the strongest motivator for individuals is, verbal recognition from the direct supervisor. The next level would encompass a letter of commendation from the supervisor to the department head, or whichever is the next higher level, with a copy in the personnel file. Other aspects of high job satisfaction, besides feeling appreciated and valued, or other forms of it that studies have found essential, are: opportunity to make a decision; ability to exercise choice; build self-esteem; and to feel that their opinions are valued.

Studies have also found that employees prefer dinner or lunch certificates, whereupon they have choice of guests, over being taken out by their supervisor. Straggling on the list of commonly used motivators is thematic employee appreciation rewards, i.e. turkey for thanksgiving, year-end party, etc. All of these recognition strategies have merit. Just remember that some have a stronger impact than others and use them accordingly.

Perceptions - Context of Recognition -

When assessing appropriate recognition tools, keep in mind that *what is perceived*, and *how it is perceived* by the individual and his or her co-workers, is key. It is not a matter of how *you* would feel, or how *you think someone ought* to feel. Be very aware of individual quirks, differences, attributes, and group dynamics. Some individuals may thrive on public displays of appreciation. Others, with shyer or quieter dispositions, may find the experience rather uncomfortable or embarrassing. Public displays of appreciation, in a hostile labor-management environment, may bring on negative consequences to the honored employee. In such cases, it may be best to express your appreciation in private, and with strong but lower profile incentives.

Individual Preferences -

Individuals have different lifestyles and interests. When giving away tickets to sports, cinematic, theatrical, travel, etc. events, provide recipients with guidelines and let them come up with their choice of reward. This gives them the opportunity to exercise choice. It lets them know that you value their opinion on what is best for them. This allows employees to choose between rewarding the self or rewarding the self by treating others (friend or family). But only they will know what would fit best in their personal scheme and schedule. (i.e. women's basketball vs. hockey, Independence Day vs. Ulee's Gold, The Nutcracker vs. Stomp, Disney vs. Club Med for Singles). In providing guidelines to create your own prize, as the incentive, this allows for personal creativity and spurns on more discussions among employees.

Organizations may develop and utilize a set of incentives for different achievements in rewarding performances. However, note that the strongest motivator is verbal or personal expressions of appreciation from the direct supervisor. This is a practice that each supervisor must engage themselves in a concerted effort to identify individual styles, needs and desires of their staff. *They need to provide their staff with the type of personal recognition that the individual would respond to best.*

Impact of Motivational Theme -

When conceiving of products or items as a symbol of achievement, value, wellbeing, health, safety and recognition, attempt to keep in line with the theme. Some examples are: key chains with keys to success, dignified time piece, professional family photo portrait, artwork of grand natural beauty, elegant company pin, etc.

The impact of the award is also reinforced if it is something that is recognized by non-work contacts in non-work settings. Items that will catch the attention of friends and family at home or play multiples the effect of your award by increasing reinforcement by friends and family. "Where did you get that from?" What did you do to get that?".

Better yet, allow recipients to choose items from a catalog. Choose catalogs that will most likely underscore achievement, family, safety, consideration for employees' interests and concerns. These catalogs could include: health, mind-body, special children's development, hobbies, kitchen/home ergonomic accessories/equipment, jewelry, even intimate apparel. Employees choose to suit their own home and hobby needs in their own choice of styles, i.e. child safety device, keepsakes for spouse of children, hobby safety as in life vests, bicycle helmet, etc.

Using Monetary Incentives -

Be careful in using monetary incentives. An organization may not get the bang for the buck if it is lost at the bar, or gas station. A savings bond, or establishment of a college fund for the employee's children, would be a good use of monetary incentives. It will have a positive impact beyond the workplace. Non-work contacts again, will have its reinforcing impact. "How did you get that?" "What did you do to get this?" asks the spouse and it is later relayed to friends, "Jr. got $500/$1000 savings bond/college fund from Dad's/Mom's company for his/her performance/achievement."

Use actual money awards sparingly as when it is routinized, it then becomes part of the expected wages and benefits. A better way of tying in substantive monetary bonuses to performance, is to include performance measures in a meaningful way in the annual evaluations, whereupon the salaries, bonuses, promotions, added benefits, will be derived from. *Make the clear connection that the benefit, salary increase or bonus, or portion thereof, is a direct result actual performance.*

Employee Recognition -

Note: These should not be period driven, unless your employee base is so large to warrant it. There have been facilities that have awarded each and every employee over time until they ran out of first time employees to award. In such cases, it can reward ordinary performance out of default, and deflate the accomplishments of the truly deserving by awarding everyone equally. Example, employee of the month or year leads to honors sometimes regardless of merit, because someone has to be appointed by month's or year's end. On the other hand, should a situation arise that many have achieved greatly in the same period, but only one can be honored, and the others are ignored. Instead, it should be a special occasion designed specifically for a deserving individual. This could occur any time this is deserved. There may be dry spells, and there may be floods. But always award only when truly merited, and based on merit, not time designations.

A real-life example is this: A professional organization had two annual scholarships for exemplary students in the field that showed great promise and commitment to their cause. Some years, the quality of the applicants was pitiful. The two least inept applicants won the prestigious award. Sometimes, only two applicants applied, and thus, were the two winners. Some years, there were a number of very deserving applicants, outnumbering the number of scholarships. The committee had to choose and deprive other deserving applicants. Do not frame yourself into the same situation. Reward whenever it is appropriate. Again, there may be dry spells, there may be floods. The point is to reward when it is appropriate, not to make awards regular.

Performance Evaluation -

Meaningful performance evaluations must be conducted in a regular fashion. Items should not be 'give away' to be granted a cursory check. It should be detailed and revealing enough to offer meaningful, substantive evaluation of performance. The evaluation itself should be scrutinized for effectiveness in providing such results. The details of this evaluation must impact on bonuses, salaries, promotions, benefits, etc. This applies to all staff, including top and middle management.

Performance evaluation tools for managers and supervisors should include surveys of employees, and clients, on how well their supervisor: manages; organizes; trains; supervises; encourages proper work practices; communicates expectations and goals clearly; etc.

Days Off -

Giving employees time off is a nice reward. However, some question the wisdom of losing the power of impact on the absence. Thus, we suggest that days off based on high performance should be underscored. The additional day(s) off should not simply be melded into the employee's benefit but should be kept separately and when the employee asks and schedules for it, it should be referred to, "High Performance Day Off", or "HP Day Off", or something to that extent. When informing other employees, it should be referred to "Sally's on a High-Performance Day Off", or "Bill's on a vacation with added # HP Days Off". When giving days off, measures must be taken to prevent the loss of the impact by dilution into the concept of regular benefits. It must be underscored and highlighted to remind everyone, that this was an extra perk, an extra benefit, because of actual high performance.

Formal Incentives & Rewards -

Incentives must truly be appealing to participants and tied to actual desired behaviors that are demonstrably improved or maintained at a high standard. In summary, they include, and are no way limited to the following. (Note token could mean, button, flower, emblem, pin, window hang, ornament, etc.):

- Letters of commendation
- Recognition awards
- Good deed token
- Thank you notes
- Thank you tokens
- Random act of kindness token
- *3-6 tokens for the awarded individual to award to others
- Company paraphernalia (sweatshirt, T-shirt, baseball cap, etc.)
- Gifts or catalog choice (as discussed earlier)
- Tickets to events
- Trips, Travel
- Salary increases
- Bonuses
- Promotions
- Day(s) off

FAILURE

Many incentive programs have failed in the past because of poor conception, lack of management commitment, and/or poor implementation. Many studies have proven incentive programs to be ineffective. Often times, however, it is not so much that incentive programs themselves are ineffective, but the design of the system was flawed.

Losing the Point -

Some incentive programs have driven employees to win, and forgot the point is health, safety, honesty, wellbeing, values, achievement, communication, cooperation and trust. Employees and supervisors have been driven to under report incidents, cover for each other's mistakes, apply peer pressure to those who will not cooperate, and exercise similar tactics in order, to win. This occurs when the system is designed to reward winning, and not the actual desired critical behaviors.

No Management Support -

An incentive program with just a face will lose momentum very quickly when it is perceived that the sentiments are disingenuous. It may instead even fan the growth of cynicism and sense of wariness among employees
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No Real Changes in Expected Behaviors -

This is the equivalent to disingenuous management support, which is disingenuous supervisory expectations. Then the incentive program is played like a game, whereupon certain steps are taken to make the ball roll and pins run, to get the siren to ring every so often. But no real behavior changes are sought and supported.

Seen as a Lottery -

Poorly designed programs that do not reward behaviors directly, reward as a matter of chance and probability. Management needs to take the "luck" mentality out of this area. The idea to connect actions to consequences, good and bad, respectively.

No Correlation Btw. Behavior/Performance and Rewards & Consequences -

Poorly designed programs have no to weak correlation between the desired critical behaviors, and the actual reward. Or, the program does not reward according to impact and consequences may over reward and under reward on a regular basis.