Incentives

Classroom laboratory for people problems

In the classroom, ideas that are valid and useful can be difficult to distinguish from those that are weak or impractical. There's simply no better way to test and integrate new concepts than through direct application to the real-world. Because all our workshops dedicate time to on-job applications, we have coached the analysis and resolution of several thousand people problems over the past 30 years.

Systematic approach proven successful

Among the most notable revelations of this informal 30 year study:

1. people are far more similar than they are different, regardless of industry, company size, or other factors, and
2. that people problems are best understood using a systematic approach.

That systematic approach could be **BPI's** problem solving, decision making, or root-cause analysis processes. While using a structured process may seem too impersonal or limited for the intricacies of human behavior, experience has shown that it's one of the best ways to minimize complexity and rediscover our common sense. For instance, many management experts today seem to believe that employee behavior is primarily driven by the forces of organizational "climate" and industry "culture". Theories that may sound sensible offer easy explanations for behaviors but are often lacking any analysis, evidence, or testing that determine the true causes people's behavior at a particular time. The irony is that "climate" and "culture" are created, in large part, by individuals; individuals that are behaving based on what is rewarded, encouraged, ignored, punished or discouraged.

Our quest to uncover and chase down the root causes of many mysterious behaviors has revealed that almost invariably, the causal path leads back to an organization's policies, procedures, and incentives. An organization trying to operate with their incentive systems misaligned or unclear can quickly run into serious trouble.

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Check your incentive system

Here are some suggestions for checking the health of your organization's system of incentives. Consider any negative answers to these three questions as being significant barriers to task completion!

To predict if the task will be done, ask yourself the following:
- Are they able to do the task?
- Do they trust the organization?
- Will they be rewarded?

Two types of reward: Extrinsic & Intrinsic

There are two types of rewards for task completion: intrinsic and extrinsic. EXTRINSIC rewards include **economic** and **status**. Extrinsic rewards tend to be temporary in their effect and must be increased over time. INTRINSIC rewards include pleasure in **task** performance, sense of **potency**, and dedication to the **mission**. Intrinsic rewards function each time the task is performed. Because intrinsic rewards are built into the task itself, the organization can do almost nothing to increase them.

Examples of reward

ECONOMIC. Whether conscious of it or not, we shape our perception of our minimum (and maximum!) economic standards based on how much others are making for similar work and what they can buy with the money. The person *may not need to actually perform the task* to receive the money.

STATUS. Status symbols are determined collectively by our peers (office with walls, chair with arms, parking spot). Status is only bestowed upon objects that our peers recognize and acknowledge. The person *does not need to actually perform* to receive this type of reward.

TASK. Enjoyment in performing the task is the most direct and basic type of incentive. The person is rewarded in the act of doing the task. The person *must do the task* to be rewarded.

POTENCY. Similarly, even if doing the task itself is not enjoyable, *performing the task* can be rewarding if it brings a sense of power, mastery or control. The person *must do the task* to be rewarded.

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MISSION. The perception that the *task* makes a positive contribution and is helping to achieve a greater goal is rewarding. The person *must do the task* to be rewarded.

Different strokes

People vary in their preferences of rewards. Creating an incentive system with a variety of different rewards will improve your chances of success. Also, if they're given some flexibility in their choice of tasks, people will naturally gravitate to those they find rewarding.

Avoid conflicting incentives whenever possible! This may not be easy and why a proven structured process can be so helpful. Policies and procedures, often create "below the surface" and "unintended" consequences. These can be tricky to tease out.

Summary

BPI teaches objective methods for analyzing all types of problems. We also offer methods to make effective well-balanced decisions including assessing potential risks of unintended consequences. Please **contact** us for more information about our **Critical Thinking** standard and self-paced workshops and to discuss how our structured methods can be tailored to your organization.