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Focus

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You Get What You Reward

Organization design expert Arthur Jones said, “All organizations are perfectly aligned to get the results they get.” That astute observation captures the essence of this article. The behaviors a company celebrates and rewards are the behaviors most employees adopt, and employee behaviors directly affect the results of business operations. This reward-results relationship holds true even when the “rewards” are incidental or otherwise not part of an explicit management strategy. For example, if slackers whose work falls below performance standards are allowed to remain on the payroll, their lazy behavior is rewarded. The character Wally from Scott Adams’ comic strip *Dilbert* is a classic example of this situation. You can avoid this by understanding three main types of rewards and using these to align employee behavior with business values and goals.

Aligning rewards with goals
Aligning reward systems with company values and strategic goals is the most important element in getting more of the employee behaviors – and results – wanted by management. For example, picture a company whose mission statement trumpets “world class” service and a commitment to “customer relationships” and then imagine what employee attitudes might be important to achieving excellent service and nurturing customer relationships. Would the attitudes emphasize cost reduction or customization, individual initiative or teamwork, strict control or flexibility, and a transactional/project focus or a customer-focused approach? Would a win-lose or win-win philosophy permeate the organization? Attitudes are a fundamental concern because: 1) Attitudes drive behavior, and 2) Beliefs/attitudes can be changed by reward systems.

The best run organizations constantly communicate their core beliefs and reinforce these values with policies. They reward desired behaviors and punish undesirable behaviors. Because businesses have both short-term and long-range goals, reward systems should likewise target near term results and encourage behaviors that strengthen the company over time.

Managers should also consider the secondary results of behaviors rewarded to avoid the trap of “unintended consequences.” A classic example of this trap is a computer customer service call center that emphasized handling customer calls in the shortest time. On the surface, that seemed logical and certainly minimized expense. However, this approach was abandoned in favor of a new approach that emphasized satisfying the caller when customers began buying computers from a competitor who had better customer service.

Types of rewards

After an organization has a clear picture of the attitudes and behaviors it most wants from employees, effective rewards help motivate employees to carry out those behaviors. The two most effective motivators – and rewards – are money and recognition. Adding degrees of freedom to allow employees flexibility in how they carry out the job functions is a third powerful reward for many people.

- Achieving the right balance of money and recognition is important to optimize profit and productivity. Money in the form of pay, commissions and/or bonuses, rewards and prizes, and various employee benefits is the fundamental reward for work, so getting the right pay structure is essential. The "right" pay structure varies based on the job function and responsibilities, typical employee background and education, and pay range. It's also important to consider the individual people involved when trying to reach the proper balance between rewarding individual performance and group results.

- Recognition is an underused tool in many companies. Finding and exploiting opportunities to reward through recognition offers many opportunities to reinforce company values. Moreover, since reward systems depend on measurable outcomes, describing exactly what results constitute success helps companies focus on what is most important to their customers. As you might expect, more satisfied customers usually improve profits over the long term.

- Freedom in carrying out the job can be an important reward, particularly for creative, independent-minded employees. This freedom obviously has limits, and in some jobs may appear non-existent. However, wise supervisors are alert for opportunities to allow an employee more control over his or her work. Providing an individual some freedom, however small, can transform an unmotivated worker into a productive and engaged employee.

As a reality check when developing a reward system, or as a starting point, consider this question, "From the perspective of our best customers, what employee behaviors would they like us to reward?" A company's best customers are a valuable source of what to do more of and what to discontinue or minimize.

So, how important is taking the time to develop an appropriate reward system? Well, imagine you didn't care much about your job, and consider what kind of effort you'd put into doing your work. Then remember that every supervisor has the power to reward his or her subordinates, every day.

Tom Wagner

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