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The power of incentive programs: the right incentive program can motivate ordinary people to do extraordinary things

HR Magazine, Sept, 2004 by Karen Renk

If you visited the exhibits at SHRM's 2004 Conference & Exposition in New Orleans, you probably noticed that the busiest booths were those where attendees were offered an incentive to stop and have their expo card scanned. Hundreds of attendees waited in line for more than an hour on the final conference day to share their contact information with an exhibitor in exchange for a nifty travel case on wheels.

That's an example of how an incentive can motivate people to do what you want them to do. Most of us are familiar with consumer promotions that use incentives (Ever buy a "happy meal" at a fast-food restaurant?) and sales incentive programs that reward top performers for exceeding quota. But consider the power a properly designed incentive program has to help your organizaton achieve a variety of goals: reduced absenteeism, increased productivity, improved customer service, success in recruiting and keeping top talent, nurturing team work, recognizing loyal employees, etc.

Ability X Motivation = Performance

In an industry that is challenged with recruitment and retention issues, Indiana's LaPorte Regional Health System has a nursing staff turnover rate of 4 percent compared with the national average of 18 percent and an overall workforce turnover is 9 percent compared to a 15 percent industrywide rate. LaPorte's CEO Jonathan Goble credits these impressive numbers to the organization's commitment to motivating and recognizing its 1,400 employees on a constant basis.

A recipient of the National Association for Employee Recognition's 2004 Best Practices Award for a systemwide initiative called "Caught You Caring," LaPorte's recognition team uses public acknowledgment, gift certificates, gift cards, small gifts, department celebrations and a variety of other awards to reward employees for desired behaviors primarily related to patient care. In addition to extraordinary retention rates, LaPorte's culture of recognition and rewards also contributes to a high level of customer satisfaction.

Software giant Microsoft addressed another common business challenge--training--with an incentive program in 2003 called, "Ready, Set, Go," that was, in part, designed to increase voluntary participation in a training program for its distributors. Participants received points redeemable for merchandise, travel and gift certificates for successfully completing a series of online seminars. During the period the program existed, more than 15,000 courses were taken and passed. Microsoft realized a more than 2,000 percent increase in participation rate when compared with its previous e-Learning program.

Bottom-Line Reasons for Incentive Programs

Incentive programs are one of the few business strategies in which cost can be based on actual performance and paid out after the desired results have been realized. And, the desired results make a positive impact on the organization's bottom line.

In addition, a study conducted by the International Society of Performance Improvement, called. "Incentives, Motivation and Workplace Performance: Research & Best Practices," found:

* Incentive programs improve performance. Effectively designed and properly implemented incentive programs increase performance by an average of 22 percent. Team incentives can increase performance by as much as 44 percent.

* Incentive programs engage participants. The research found that incentive programs can increase interest in work. When programs are first offered for completing a task, a 15 percent increase in performance occurs. Asked to persist toward a goal, people increase their performance by 27 percent when motivated by incentive programs. When incentive programs are used to encourage "thinking smarter," performance increases by 26 percent.

* Incentive programs attract quality employees. Organizations that offer properly structured incentive programs can attract and retain higher quality workers than other organizations.

An incentive program will not compensate for lack of training, a poor product or inadequate marketing. However, as a part of an integrated business strategy, well-executed incentive programs motivate people at all levels of the organization. The bottom line is organizations that successfully motivate their workforce to achieve specific goals will realize the greatest financial gains over time.

RELATED ARTICLE: Nine Basic Steps To Building the Right Incentive Program

According to the Incentive Marketing Association, there are nine basic steps involved in developing well-designed incentive programs:

#1 Establish Objectives

Identify what goal/objective needs to be accomplished; for example: improve attendance, increase customer satisfaction, foster teamwork and reward long-term employees. The objectives must be specific, measurable and obtainable. Begin with a clear, briefly stated objective and communicate it to all participants.

#2 Outline the Strategy

Build the foundation of the incentive program carefully, expanding on the methodology to be used. The program structure should identify the exact target audience, and anyone else who will be influenced by the program. The size of the group is important to the budget of the program, as well as the ability to communicate clearly and measure the results accurately. Other considerations are geographic boundaries or regions, legal considerations, family issues, the length of the program and timing, individual goals or team goals, and of course, the reward.

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