Upfront Incentives Before The Job Is Done Are You Kidding Me?

This would give many business leaders the shivers and sleepless nights

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Do you have the courage to incentivise your team prior to kicking off an assignment?

John and Jim, each earning a monthly fixed income of approximately $5000, have both been entrusted with an assignment to kick start a project which is located about a three-hour flight away from their homes. If executed as planned, the implementation would take three months, which means both these guys would be away from home and their loved ones for a significant period; however, their company would make a substantial ROI once the project is handed over to their most important client.

Now here’s the problem: John has a very stubborn and demanding wife, who insists he drop the kids off to school daily, pay his bills on time and stay at home and spend quality time with the family. Prior to learning about the new project the company was undertaking, Jim had promised his newly-wed wife a long overdue week’s holiday in a beach resort. The common factor for the two is that they have a very demanding boss who is not going to postpone the project and lose their best client – and of course, a lucrative deal – while John and Jim tend to their personal lives.

Both John and Jim take over the assignment reluctantly as they cannot risk losing their jobs. They both work half-heartedly for the following reasons:
– Unpaid incentives from previous projects, with the result that they don’t believe that they will be paid an incentive this time around
– No ownership of actions
– Constant nagging by their families
– Payment reminders from their banks and credit card companies

Now here’s the other side of the coin. The company chairman calls John and Jim and announces to both that a very important and extremely lucrative contract with an estimated profit of over one million dollars has been awarded to the company by their number one client. They are both given a detailed project description and they buy into the idea. The chairman has a man-to-man chat with John and Jim and finds out what their personal circumstances are, and if they have any potential interruptions to work while away at the project. Both John and Jim confide with the boss about previous promises of incentives not fulfilled and their family and financial issues.

The chairman then declares the following: the company has in its budget an uncapped incentive pay-out of 5% of the bottom line to employees assigned to the project. Great news! This gives John and Jim $50,000 to split amongst the two. Even greater news! The total incentive will be paid up front; in addition, both are allowed paid leave of two weeks prior to leaving home for the project to sort out their personal issues.

Create a win-win situation

With an additional $25,000 over and above his normal pay, John can manage to leave behind enough dollars for his demanding wife to shop until she drops, encourage her to drop the kids at school for the next three months and pay up his overdue loans and even take the family out on a vacation, all before he leaves on his assignment. Jim can book a two-week beach holiday with his newly-wed wife and also leave enough behind for an emergency while he is away. Basically, they can both leave all their worries behind and have a clear mind to complete the task in hand.

What's in the upfront incentive payment deal for the company?
Basic comparison:
What most business leaders tend to ignore is that monetary incentives are not everything and don't keep their team motivated every day. People's lives adjust to their new income levels and soon look for other ways to keep their enthusiasm levels high.

So how do you incentivise without cash?
Smart organisations today need to practise genuine appreciation and fair play and cultivate a system of employee engagement without only throwing money at them.

A 'Pat On The Back' From The Boss And A Genuine 'Thank You' And Appreciation In Front Of Colleagues And Customers Goes Further Than Just Providing Monetary Incentives.

A pat on the back from the boss and a genuine 'thank you' and appreciation in front of colleagues and customers goes further than just providing monetary incentives.

Organisations that regularly hunt for team members doing the right thing and making lots of noise about it in front of their colleagues and customers will be more appreciated than an organisation that 'witch hunts' for team members doing something wrong and punishes them in front of their colleagues and customers. Appreciation and recognition are proven non cash motivators. Team members constantly seeing a colleague being appreciated and recognised for doing the right thing will always want to be in that situation, thus motivating them.

Now the million-dollar question in most minds is: what happens if John or Jim leaves the company after receiving an upfront incentive before the project kicks off?
The answer is very simple. Remember the old saying, "There's no such thing as a free lunch." The incentive plan must surely be structured to secure the company's

interest.

Write up the incentive scheme and get them to sign and make it legally binding, whereby the employee has to pay back the company if the project were to fail due to reasons within his or her control; heavy penalties and a sizeable weightage must always be given to customer satisfaction, on-time delivery and cost saving.

In this case, John and Jim will not embarrass themselves by recalling the upfront monies given to their families and lose the potential of being assigned to more lucrative projects or assignments. In other words, both John and Jim are indebted to the organisation. This may sound very harsh, but remember what we said earlier; it has to be a win-win situation and not a win-lose situation where only the company has to bear the loss.

Capping Or Having A Ceiling On Team Incentives, Doesn’t This Guarantee A Cap Or Ceiling On The Company’s Growth, Too?

Upfront incentives will not only motivate John and Jim but also their families. Who knows? Their families may also push and motivate them to go to work as their families win, too. Furthermore, they have a moral obligation towards the company as the chairman got their buy-in and honoured the incentive agreement before getting into the execution of project or assignment.

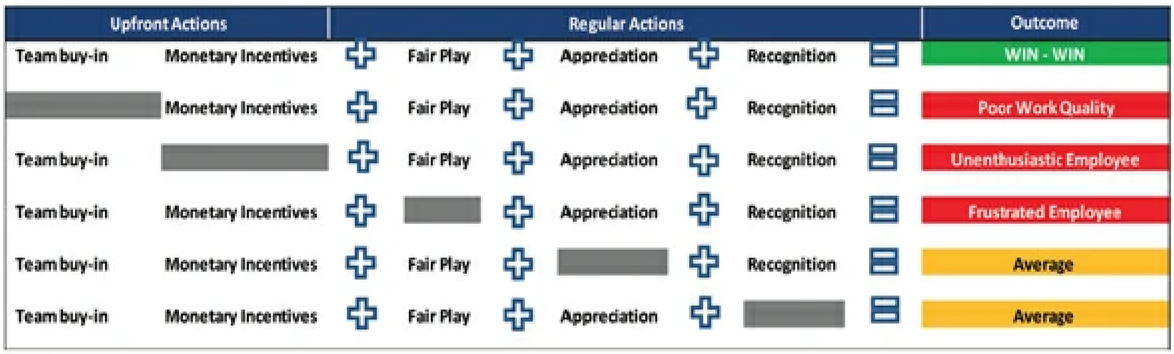
In a nutshell If the thought of upfront incentives still gives you the shivers, try this simple test before trying it out at work.
Make a reservation in any restaurant and once you get there, hand out a handsome tip to the waiter and pat him on the back even before you are seated and ready to order your meal. You will be guaranteed a superior and enthusiastic service far better than any other guest who would tip after receiving the service. Beware: enthusiasm is contagious. You might catch it, too!

Why would you have a cap or ceiling on incentives?
During my many years working in various countries, one of the most absurd mistakes I have seen by business leaders is capping or having a ceiling on team incentives. Doesn’t this guarantee a cap or ceiling on the company’s growth, too? Many would argue on this point; however, when asked the reasons the company has a ceiling or cap, the answers are equally ridiculous.I have had the opportunity to analyse many incentive schemes and a lot of them had a percentage for over-achieving or exceeding targets but capped at a maximum pay-out allowed to the

employee. I still ponder as to who came up with this idea, or was it a natural progression of colonialism or classes in society where one thought they were superior to the other? The probable reasons that first come to my mind are the following:

– The senior leadership of the company is uncomfortable with the idea that a junior may take home a larger pay packet than the senior’s pay.
– The leadership is worried that employees who have not been incentivised might be upset.
– Neither of these makes sense to me, which takes us to my next question.

How do you determine who is entitled to be incentivised or not?
This could go on for pages, but in a nutshell, surely everyone has to be incentivised, from the lowest-level employee up to the chairman and shareholders. Smart companies with a reputation for fair play usually have an incentive plan however big or small to ensure enthusiasm created by incentivising trickles all the way down to the bottom. A best practice here would be to allocate a fair portion of the incentive from the direct productive staff to all the support roles. The reason I just called them direct productive staff is that everyone in support roles indirectly contributes to the productivity of the direct productive team members. These are the silent heroes whose contribution cannot easily be shown in numbers. Everyone’s incentives must surely have a link to both internal and external customer satisfaction scores.



Upfront Actions		Regular Actions							Outcome
Team buy-in	Monetary Incentives	+	Fair Play	+	Appreciation	+	Recognition	=	WIN - WIN
	Monetary Incentives	+	Fair Play	+	Appreciation	+	Recognition	=	Poor Work Quality
Team buy-in		+	Fair Play	+	Appreciation	+	Recognition	=	Unenthusiastic Employee
Team buy-in	Monetary Incentives	+		+	Appreciation	+	Recognition	=	Frustrated Employee
Team buy-in	Monetary Incentives	+	Fair Play	+		+	Recognition	=	Average
Team buy-in	Monetary Incentives	+	Fair Play	+	Appreciation	+		=	Average

Incentive paid at the end of a project	Incentive paid upfront
Low enthusiasm causing poor quality work delivered to the client, affecting customer satisfaction	Customer satisfaction – quality of work delivered
Project not delivered on-time	Ability to commence another project and cost saving
Loss of revenue	Improved bottom line – Cost saving
Loss of reputation	Project delivered on or before deadline
Cost overrun caused by rescheduling	Improved bottom line – cost saving
Potential legal action by the client	More projects from client and their referrals