

INCENTIVES, MOTIVATION AND WORKPLACE PERFORMANCE: RESEARCH AND BEST PRACTICE




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Harold D. Stolovitch
Project Director and Principal Investigator
Professor Emeritus, Université de Montréal
Clinical Professor, University of Southern California
Principal, HSA LEARNING & PERFORMANCE SOLUTIONS
1520 S. Beverly Glen Blvd., Suite 305
Los Angeles, CA 90024-6195 USA
Toll free: (888) 834-9928
Telephone: (310) 286-2722
Fax: (310) 286-2724
info@hsa-lps.com
www.hsa-lps.com

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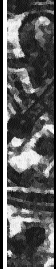
Harold D. Stolovitch
Project Director & Principal Investigator



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What are common beliefs people have about the use of incentive systems in the workplace to achieve desired performance?

- The positives? • The negatives?

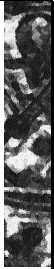


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But what is the truth?

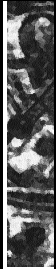
What does research tell us?

What is being done in the workplace?
... and with what results?



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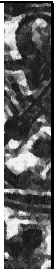
Our team of researchers set out to discover the answer to these questions.



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Our Itinerary For This Session

- Some introductory information
- Study goals
- Key research questions
- Methodology
- Key Findings
- A Performance Improvement By Incentives Model
- Where next?
- Q & A



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A Research Partnership

- SITE Foundation
- International Society for Performance Improvement (ISPI)
- Research Team
 - Dr. Harold D. Stolovitch
Emeritus Professor, Université de Montréal
 - Dr. Richard E. Clark
Professor, University of Southern California
 - Dr. Steven J. Condly
Professor, University of Central Florida



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Some Facts

- From research, we estimate \$117 billion spent annually on cash / non-cash incentives.
- Some incentive programs work... others don't.
- Why?
 - Incentive selection?
 - Incentive System design?
 - Implementation?
- Organizations don't understand the conditions that make incentives effective.

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Some Facts

- Many "practitioners" swear by the value of incentives.
- Many "non-users" are skeptical.
 - "Where's the data?"
- No comprehensive study has existed... until now.

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Study Goals

1. Cut through the conflicts and controversies
 - Devise clear, accurate conclusions based on research and documented practice.
2. Develop an accurate model of why / how incentives work.
3. Create guidelines for selecting and implementing effective tangible incentive systems.

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Two Key Definitions

- Incentives
"Something valued by an individual or group that is offered in exchange for increased performance."
- Incentive System
"An organized program of rewards and / or recognition offered for the purpose of motivating people to perform in specific ways."

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Key Research Questions

1. Do incentives increase work performance?
2. What kind of incentive systems are most effective?
3. What organizational conditions indicate a need for an incentive system?
4. What model best expresses the selection and implementation of successful incentive systems?

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Research Methodology

1. Review of all English language research on incentives.
 - Included review of 600+ studies
 - 45 passed screening
2. Conduct a meta-analysis of acceptable studies to derive overall research conclusions.
 - Highly accurate synthesis of results
 - Included laboratory and field-based studies
 - Included many researchers and points in time

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3. Survey U.S. organizations using incentive systems.

- On-line, in-depth questionnaire
- Structured telephone interviews
- Screening process: 1000 organizations produced 400 qualified respondents
- 145 surveys completed (37% response)
- 90 in-depth interviews: designers / selectors; recipients; supervisors of recipients

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Two Major Myth-Breaking Findings

Myth # 1: Incentives destroy personal, intrinsic interest in work.

Research Findings:

- Incentives increase value people assign to important work goals.
- Rewarding people for exceeding goals causes them to value work more, increase self-confidence & employee loyalty.

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Myth # 2: Incentives only result in paying more for the result you would have had anyway.

Research Findings:

- Well designed and implemented incentive systems increase performance... dramatically.
- Only 8% of workers surveyed said they would have achieved results without incentives.

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Study Findings With Respect To Key Research Findings

1. Incentives greatly increase performance.

- Tangible incentives (money / gifts) increase performance .
- Individual-based incentives: 27% gain
- Team-based incentives: 45% gain

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Study Findings With Respect to Research Questions

2a. Effectiveness of Incentive System type in order:

- Quota – beyond current performance
- Piece rate – produce more units
- Tournament – competition
- Fixed rate – Specified amount for specified work

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Study Findings With Respect to Research Questions

2b. Effectiveness of Incentive Systems: time frame.

- Long-term incentive programs have greater effect than short term ones
 - Short-term: 1 week or less = 20% performance gain
 - Intermediate term: approximately 6 months = 30% performance gain
 - Long-term: >6months = 44% performance gain

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Study Findings With Respect to Research Questions

2c. Effectiveness of Incentive Systems: Quality vs. Quantity

- Equal, positive impact on both quality and quantity

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Study Findings With Respect to Research Questions

2d. Effectiveness of Incentive Systems: impact on goal achievement.

- 57% of survey respondents reported objectives met or surpassed.
- 92% reported objectives surpassed, met or partially met.

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Study Findings With Respect to Research Questions

2e. Effectiveness of Incentive: monetary and gift / travel.

- Monetary: 27% increase in overall performance
- Gift / travel: 13% increase in overall performance*
- * Caveats: No studies dealt with perceived value of non-monetary tangible incentives or cost differential of monetary versus gift / travel.
- In survey, only 23% of incentive programs involved recipients in incentive selection.
- Major area for further research.

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Study Findings With Respect to Research Questions

3. Conditions indicating need for Incentive System

- Current performance is inadequate.
- Cause of inadequate performance is motivational.
- Desired performance can be quantified.
 - How much
 - How often
 - How many
 - ...

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Study Findings With Respect to Research Questions

Incentive System Goal Criteria

- Goals must be challenging but achievable.
- All other work goals must be achieved at or above current levels.

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Summary Of Survey Findings

1. Incentives impact objective attainment; help produce desired results.
2. The clearer the IS purpose the more clearly the IS is communicated accepted and appreciated.
3. 75% + of ISs aimed at increasing quantity and/or quality of results in current tasks.
4. Most frequently used incentive is some form of cash (75% - 80%).

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5. Most IS decision-making includes HR or related professionals. However, senior management decides who gets the incentive and how much. Targeted recipients participate less than 25% of the time in IS decision-making.

6. Organizations apply ISs to all levels and types of positions. Sales is the prime target.

7. Few organizations provide incentives outside of the organization.

8. Most ISs focus on lack of consistent effort or avoidance of important tasks.




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9. Almost 70% of IS selection made with no concrete evidence of appropriateness or prior success.

10. Great diversity in reward delivery. Means for communicating or distributing rewards based on intuition or how it is done elsewhere.

11. Very little disagreement/disparagement of the incentives themselves. Greatest complaint is about poor implementation.




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12. Despite problems, 57% of ISs met or exceeded objectives; 92% partially met, fully met or surpassed objectives.

13. Despite inadequacies, majority of populations and management view ISs positively.

14. 99% of survey participants would use the same or a similar IS again. 86% would use the same IS with minor/no changes. ISs can become habit forming. Viewed as better than nothing.



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15. When asked about changes for reported IS, almost 100% of suggested changes related to "how" (implementation); few focused on "what" or type of incentive.

16. Recipients of ISs desire, above all, clarity of objectives, clarity and reliability of process, fairness, support, clear communication and reasonable, reliable metrics.

17. 60% of targeted recipients reported not exerting much more energy due to the IS.

18. When incentives offered to teams, many targeted recipients unclear about individual roles or benefits.




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Study Findings With Respect to Research Questions

4. The model that best expresses the selection and implementation of successful incentive systems:

Performance Improvement By Incentives (PIBI) model.




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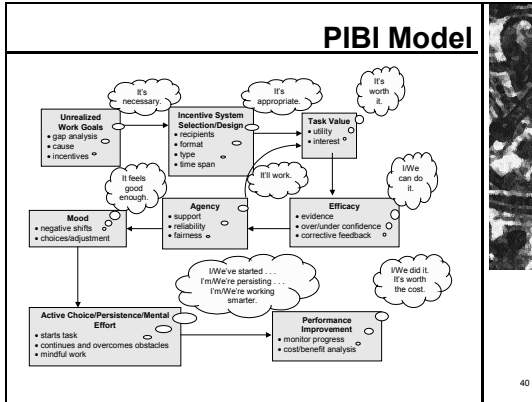
PIBI Model

- Diagnostic / perspective tool for incentive system selection & implementation.
- Identifies critical questions and issues requiring attention.
- Provides guidance – step-by-step procedures.
- Helps decision-makers to troubleshoot and improve the incentive system.



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- ### Key Conclusions From The Study
- Both research studies and field experience demonstrate convincingly that incentives work.
 - Incentives positively and strongly influence
 - Workplace performance: quality and quantity.
 - Value workers attribute to goal achievement.
 - Emotional commitment to achieve goals and increase performance.
 - Loyalty to the organization.

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- ### Key Conclusions From The Study
- However, you must...
- Select incentives only when appropriate (motivation gap).
 - Select incentives only for challenging goals.
 - Involve targeted recipients in the selection of incentives.
 - Ensure equity and fairness.
 - Focus on implementation.
 - Communicate and monitor continuously.

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- ### Future Research
- Cash / non-cash incentives: relationship between perceived value of options and cost.
 - Role of recognition in performance improvement.
 - Case studies in implementing the PIBI model.
 - The ROI of incentives
 - Incentives: individuals and teams
 - Incentives: Impact on retention

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How have the findings of this study affected your understandings and beliefs about incentives?

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Readings

Stolovitch, H.D., Clark, R.E. and Condly, S.J. (2002). **Incentives, Motivation and Workplace Performance: Research and Best Practices**. Silver Spring, MD: Professional Society for Performance Improvement (available at www.ispi.org).

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For more information

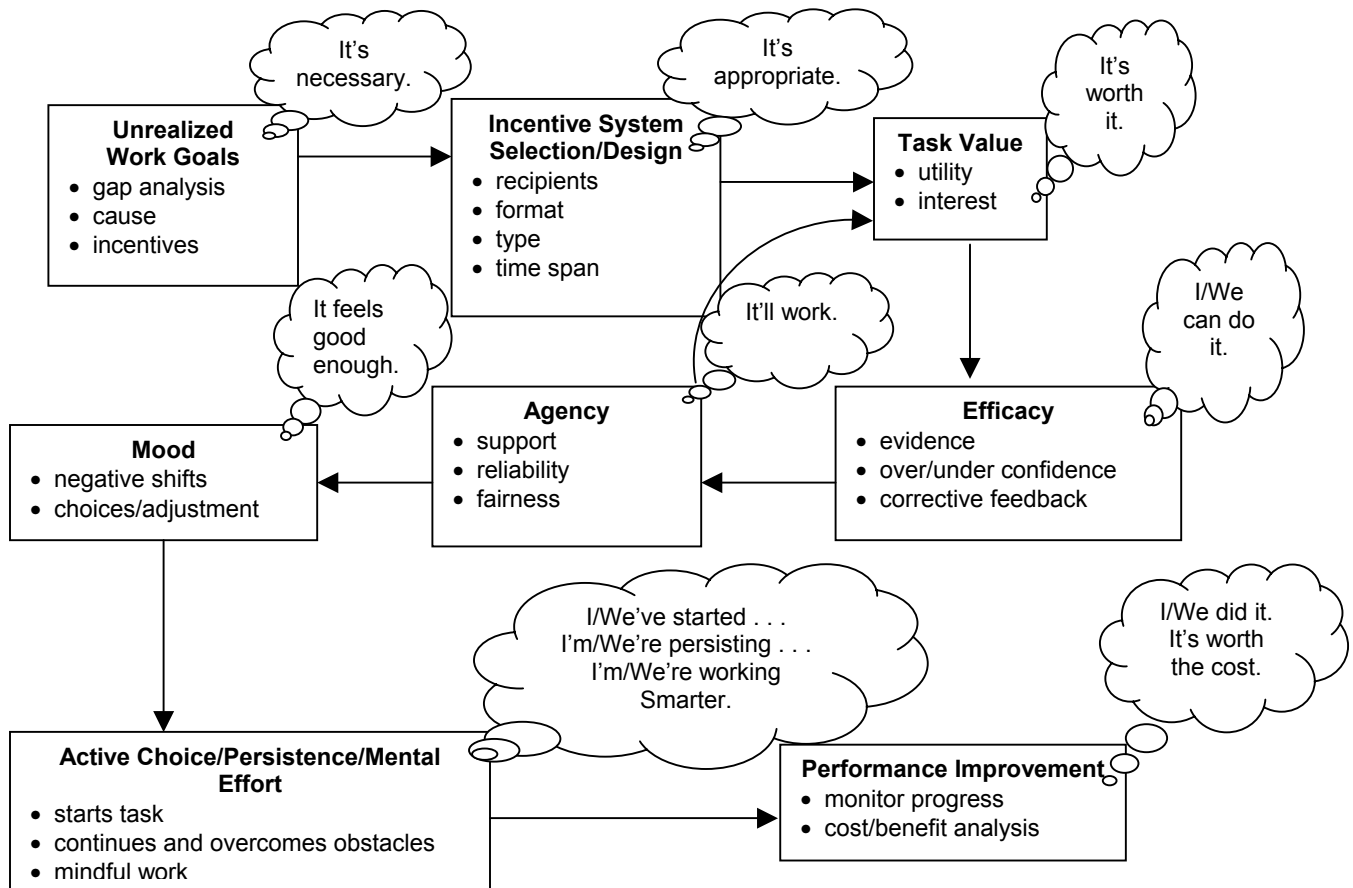
<p>USA 1520 S. Beverly Glen Blvd. Suite 305 Los Angeles, CA USA 90024-6195</p> <p>Tel: (310) 286-2722 Fax: (310) 286-2724</p>	<p>Web Site <i>www.hsa-lps.com</i></p> <p>Email <i>info@hsa-lps.com</i></p>	<p>CANADA 125 Dorval Avenue Suite 301 Montreal, QC, Canada H9G 3G7</p> <p>Tel: (514) 631-0998 Fax: (514) 420-0760</p>
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Performance Improvement By Incentives (PIBI) Model



Applying The (PIBI) Model

What follows is a set of events and guidelines for selecting and implementing an incentive system to improve workplace performance. These are based on the PIBI Model and are drawn from the results of a thorough review of the research on incentive systems and a broad-based survey of incentive system field practices in North American workplace organizations. There are eight major events in the selection/implementation process.

Event 1: Unrealized Work Goals

1.1 Implementation

- 1.1.1 Identify unrealized work goals based on an analysis of the gap between current and desired performance.
- 1.1.2 Specify performance goals that are concrete and challenging, but feasible.

1.2 Monitoring

- 1.2.1 Determine if gap is due to skill/knowledge deficiency.
- 1.2.2 Determine if gap is due to environmental obstacles or deficiencies.
- 1.2.3 Determine if gap is motivation-based.

-
- 1.3 Repair
 - 1.3.1 For a gap based on skill/knowledge deficiency, provide training and/or job aids.
 - 1.3.2 For a gap based on environmental obstacles or deficiencies, remove obstacles or correct deficiencies.
 - 1.3.3 For a gap based on motivational deficiencies, consider the use of an incentive system.

Principles:

It is rare for a single intervention to be sufficient for achieving workplace results. Even if the major cause for the gap between desired and actual performance is motivation-based, and incentives are appropriate, always verify that skills/knowledge and environmental conditions are sufficient to achieve goals.

The more challenging the goal, the greater the effort individuals or teams must exert. However, they must perceive the goal as possible to achieve with maximum effort.

Event 2: Incentive System Selection/Design

- 2.1 Implementation
 - 2.1.1 Specify the target recipients of the incentives. (When feasible, teams are the preferred target).
 - 2.1.2 Involve management and (as culturally appropriate) targeted recipients of the incentives in the incentive system selection/design process.
 - 2.1.3 Select incentives that are feasible and acceptable to the organization and attractive to the targeted recipients. These incentive types are: monetary, gift/travel, recognition. When feasible, monetary is the preferred choice.
 - 2.1.4 Select from the four incentive system formats: quota, piece rate, tournament, fixed rate. When feasible, quota is the preferred choice.
 - 2.1.5 Specify the time span: long-term (greater than one year), intermediate-term (6 months to one year), short-term (less than 6 months). When feasible, long-term is the preferred choice.
- 2.2 Monitoring
 - 2.2.1 Verify to ensure that targeted recipients, supervisors, and organizational management understand the details of the incentive system.
- 2.3 Repair
 - 2.3.1 Re-communicate incentive system specifics to individuals or units that demonstrate a lack of understanding about the incentive system.

Principles:

While in general, targeted recipient participation is desirable in the selection of incentives and/or the design of the incentive system, the level, nature, and process of participation must be appropriate to cultural, national, and organizational norms. For multicultural and global organizations, verify to determine the appropriate level of participation for the various affected groups.

An incentive system may be composed of more than one type of incentive. It may include a combination of monetary, gift/travel, and recognition elements.

Event 3: Task Value

- 3.1 Implementation
 - 3.1.1 Communicate to target recipients, their supervisors, and all other concerned parties the nature of the incentive system and its mechanics so that the linkage between the incentive/s and the desired improved performance is clear and unambiguous.
 - 3.1.2 Explain that the incentive offered is intended to create “utility” value for achieving beyond current levels of performance.
- 3.2 Monitoring
 - 3.2.1 Verify that utility has been established. Verify that targeted recipients value the incentive enough to increase their performance and maintain it in the face of distractions and other priorities.
 - 3.2.2 Verify if interest is waning.
- 3.3 Repair
 - 3.3.1 Revise details of the incentive system to increase utility.

Principle:

The less the inherent interest in the task to be performed, the more there is a need for a valued incentive to be linked to it in order to drive performance. The incentive serves a utility purpose – it replaces interest in the task with interest in money or gifts. Communicate a clear and strong relationship between the two.

Event 4: Efficacy

- 4.1 Implementation
 - 4.1.1 Provide evidence from the past performance of the targeted individuals and teams that they are capable of achieving at the desired level and/or describe the success of other individuals/teams similar to the targeted recipients.
- 4.2 Monitoring
 - 4.2.1 Monitor team and individual confidence that they can achieve the desired performance levels and earn incentives. Watch for evidence of under-confidence or overconfidence.
 - 4.2.2.1 Determine if there is evidence of under-confidence in the form of errors in performing the task, a gradual withdrawal from performing the task and/or a negative mood shift when talking about the performance goals or incentives.
 - 4.2.2.2 Determine if there is evidence of overconfidence in the form of errors – and when confronted with such errors or poor performance, there is a refusal to accept responsibility and/or the mood shifts to anger when talking about the task or the incentive program.
- 4.3 Repair
 - 4.3.1 Focus on task-performance and specify what is necessary to increase performance. Do not focus negatively on the person or team.
 - 4.3.2 For under-confidence, break the task into smaller, more manageable components and provide help.
 - 4.3.3 For overconfidence, provide convincing evidence that the strategy being used is flawed and demonstrate that another approach will succeed.

Principles:

The greater the confidence of the individuals/teams to achieve desired performance improvement goals, the higher is the probability of their achieving success, especially with respect to challenging goals. Yet overconfidence is a performance stopper. Overconfident people often apply the wrong strategy (or maintain inappropriate beliefs) and do not take responsibility for their failure to achieve the performance goal.

The less the confidence of the individuals/teams to achieve desired performance improvement goals, the greater is the need to provide support in breaking the feared task down into smaller tasks and offering help. This strategy often raises the confidence level.

Event 5: Agency

Note: The greatest number of incentive system breakdowns generally occur in this event.

- 5.1 Implementation
 - 5.1.1 Provide management support for task performance in the form of clear communication about the incentive system, fair and equitable management of the system, effective work processes, adequate resources, and assistance as required and feasible.
 - 5.1.2 Employ a transparent administrative system for tracking achievements and rewards.
 - 5.1.3 Communicate individual/team progress on a regular and frequent schedule.
- 5.2 Monitoring
 - 5.2.1 Develop an effective system in which targeted recipients are encouraged to report concerns and problems associated with organizational support of employee performance and its management of the incentive system.
 - 5.2.2 Do not punish people for reporting problems even if the problems turn out not to be substantive.
- 5.3 Repair
 - 5.3.1 Thank the people who report problems and investigate them.
 - 5.3.2 Report the results of your problem analysis to the person or team who reported it.
 - 5.3.3 Make a plan to remove barriers to performance or provide convincing evidence that perceived barriers do not exist.

Principle:

Perceived implementation breakdowns result in targeted recipients reassessing task value downwards. This has a negative impact on task performance and defeats the purpose of the incentive system.

Event 6: Mood

- 6.1 Implementation – none
- 6.2 Monitoring
 - 6.2.1 Monitor workplace climate for negative mood changes (anger, negativity).

6.3 Repair

- 6.3.1 Let people decide how to do their jobs and decorate their work space (within reason and if they do not intrude on others).
- 6.3.2 Adjust environment to improve workplace climate (e.g. permit listening privately to music while working if possible).
- 6.3.3 Provide positive, energetic and fair managers and work models.

Principle:

Workplace climate and individual moods can have an effect on motivation and hence, on performance. Mood is often a strong indicator of performance shifts and motivation. When mood becomes sufficiently negative, performance slows or stops. Strong positive mood is not essential – strong negative emotion must be avoided.

Event 7: Active Choice/Persistence/Mental Effort

7.1 Implementation—none

7.2 Monitoring

- 7.2.1 Verify that targeted recipients are:
 - Choosing to perform the targeted tasks in the desired manner.
 - Persisting at the targeted tasks.
 - Mentally engaged (“using their heads”) to achieve desired results.

7.3 Repair

- 7.3.1 Cycle back through the events of the PIBI model to ascertain cause(s) of failures of active choice/persistent behavior/exertion of mental effort.

Principles:

Tasks for which incentives have been provided may lead to neglect of other essential tasks for which there are no incentives. Monitor to ensure that targeted recipients perform all necessary tasks related to the job. Make receipt of incentives contingent on this.

A decline in active choice, persistence and/or mental effort signals a need to repair value and/or agency and/or efficacy (see Events 3, 4 and 5).

Event 8: Performance Improvement

8.1 Implementation—none

8.2 Monitoring

- 8.2.1 Monitor progress continually.
- 8.2.2 Monitor the cost/benefit analysis of the incentive system.

8.3 Repair

- 8.3.1 Review Events 1 and 2 when performance does not increase. It is possible that the gap analysis was incorrect and that people lack adequate knowledge and skills to perform or the work processes or materials they are using are missing or inadequate. It is also possible that the incentive is not creating value for the task and requires adjustment.

Principle:

The success of the incentive system is judged by the attainment of performance goals at a lesser cost than the value of the results. Ongoing monitoring of progress toward goal and communication of successes to targeted recipients and other affected groups are necessary to sustain incentive system momentum.

SCENARIO: LIGHTNING SALES

Organization: Lightning Electronics

Desired Performance Improvement: Increase sales of Lightning peripheral equipment through authorized vendors. Management believes, from various market studies it has conducted, that there is a huge opportunity to increase sales of its peripheral products (e.g. printers, plotters, scanners, keyboards, hard drives, monitors) through these independent vendors. Given current economic conditions in which everyone is looking to reduce equipment costs, the high quality ratings Lightning equipment receives and its low cost compared to the “big” players, management estimates that there is a potential to increase sales by 200%.

Targeted recipients: Sales representatives of outside vendors who sell a broad variety of peripheral equipment from multiple manufacturers, many of which have far greater name brand recognition than Lightning. Lightning produces a superior line of products at very reasonable prices (20%-30% less than the big name manufacturers). It also has a very good reputation for technical support. Nevertheless, customers go for well-known brands. Also, these popular manufacturers often provide special incentives to the sales reps in the form of prizes, meals and merchandise. Lightning wants to launch an effective incentive system to encourage sales reps to push Lightning products.

PRESCRIPTIVE STEPS**Event One: Unrealized Work Goals**

- 1.1 Implementation
 - 1.1.1 There is a gap on the order of 200% between actual and possible sales volumes.
 - 1.1.2 The desired performance goal is concrete and specific (a 200% increase in sales), challenging (a rather large annual increase in sales), but feasible (so determined by market analysis).
- 1.2 Monitoring
 - 1.2.1 The sales gap is not due to skill or knowledge deficiencies as there is no evidence that the sales staff is poorly trained or is skillfully inadequate.
 - 1.2.2 There are no environmental obstacles inhibiting the sales representatives of the outside vendors from selling Lightning products.
 - 1.2.3 The gap is motivation-based. The sales representatives are aware of the high quality and low cost of Lightning’s products, but they receive incentives from competing manufacturers to sell their products.
- 1.3 Repair
 - 1.3.1 No additional training is required.
 - 1.3.2 No environmental obstacles need be removed.

-
- 1.3.3 The use of an incentive system is warranted as the performance deficit is motivation-based and other manufacturers offer incentives for the sale of their products.

The sales representatives are well aware of the assets of Lightning's products. High quality and low cost products sell well. Still, they have pushed the sales of competing products because of the incentives they can earn with them. Lightning Electronics' performance goal of tripling sales is challenging, but possible due to the high quality/cost ratio.

Event Two: Incentive System Selection/Design

- 2.1 Implementation
 - 2.1.1 Incentives will be offered to all outside vendor sales representatives individually.
 - 2.1.2 Lightning management does not involve the outside vendor sales representatives in the design of the incentive system as they are located in retail outlets throughout the United States. All that Lightning does to involve them is to survey them regarding their amenability to an incentive system. Survey results reveal a widely positive response.
 - 2.1.3 The chosen incentives will match (in cost and kind) the various gift and travel incentives offered by the competing computer manufacturers.
 - 2.1.4 The format will be a quota system. All sales representatives who sell Lightning products at rates greater than the "average" sales representative (as determined by an examination of sales data) will be eligible for gifts of their choosing that increase in quality and cost as their volume of sales increases.
 - 2.1.5 As Lightning's incentive system is a match of the incentive systems of other manufacturers, the system will last indefinitely.
- 2.2 Monitoring
 - 2.2.1 Formal letters are mailed to each sales representative informing them of the particulars of Lightning's new incentive system. Additional letters are sent to each store's sales manager to distribute to newly-hired sales representatives.
- 2.3 Repair
 - 2.3.1 A follow-up letter is mailed to each sales manager to verify that sales representatives have received letters from Lightning. A survey form, asking for questions or comments, is included for return to Lightning.

Lightning does not want to spend more in incentives, for a given volume of sales, than competing manufacturers do. Thus, they will match preexisting incentive systems. Lightning is convinced that sales will increase because the sales representatives can now earn the same incentives as with others, but now they can more aggressively market to consumers a product of higher quality and at a lower cost, features that will, in and of themselves, serve to boost sales.

Event Three: Task Value

- 3.1 Implementation
 - 3.1.1 Formal letters are mailed to each sales representative informing of the particulars of Lightning's new incentive system. Additional letters are sent to each store's sales manager to distribute to newly-hired sales representatives.
 - 3.1.2 A feature of the letters is mention of how the incentives are intended to motivate the sales representatives to make an extra effort to market Lightning products. The high quality and excellent service create high value for the product to the consumer; the incentives serve to make selling Lightning products worth the while of the sales representative.
- 3.2 Monitoring

-
- 3.2.1 Lightning uses the survey results as an indicator of the understanding that the sales representatives have about the utility value of the incentives offered.
 - 3.2.2 The interest that sales representatives have in selling computer products for a living is not a concern of Lightning's. Their only concern is with the utility value the sales representatives have for Lightning's products.
- 3.3 Repair
- 3.3.1 If future sales data indicate that there are stores which have not shown any marked increase in sales, or have not made any claims on incentive gifts, Lightning will seek to verify that those sales representatives have in fact been properly apprised of the incentive system.

Previously, sales representatives had less utility in marketing Lightning products because they could earn bonus gifts for themselves by selling other products to customers. Now, however, that there is an equivalent incentive system with Lightning, the sales representatives advertise the higher quality and lower cost of Lightning products to customers, and earn bonus gifts for themselves.

Event Four: Efficacy

- 4.1 Implementation
 - 4.1.1 Lightning mails out copies of articles in trade journals, which demonstrate how effective incentives can be in greatly boosting sales. Additionally, Lightning asks sales managers to scour their own sales records to see how sales of competing manufacturers' products increased when incentives were first offered.
- 4.2 Monitoring
 - 4.2.1 Lightning will ask vendor sales managers to ascertain if sales representatives doubt whether they can increase sales of Lightning products.
 - 4.2.1.1 Sales managers will be asked to report to Lightning if there are representatives who are displaying signs of under-confidence about selling Lightning products, such as reductions in sales efforts, or sour talk about Lightning's products and its incentive system.
 - 4.2.1.2 Sales managers will be asked to report to Lightning if there are representatives who are displaying signs of over-confidence about selling Lightning products, such as expecting to receive very expensive incentive gifts, bragging about how much they can sell, and blaming their failures on Lightning's "lousy" product quality.
- 4.3 Repair
 - 4.3.1 Lightning will send out a general trouble-shooting letter after a few weeks. The letter will address various difficulties that sales representatives may be encountering in increasing sales.
 - 4.3.2 Part of the letter will address under-confident sales representatives and will seek to provide sales remediation information.
 - 4.3.3 The other part of the letter will seek to reduce levels of over-confidence that some sales representatives may have by explaining how reasonable increases in sales can be accomplished.

The outside vendors' sales representatives do not require evidence that they can sell Lightning products, but rather evidence that they can *markedly* increase sales (ultimately, on the order of a 200% increase). Considering that they are working from an artificially low base, the higher quality and lower cost Lightning products, coupled with matching incentives, can in fact be sold at considerably higher volumes.

Event Five: Agency

5.1 Implementation

- 5.1.1 A select number of Lightning's customer service personnel are made available to the sales representatives to assist them with any questions or concerns they might have about the operation of the incentive system.
- 5.1.2 Lightning's management will devote a specific number of accountants whose main job will be to track and monitor sales, revenues, and the earning and awarding of gift incentives.
- 5.1.3 Monthly progress reports will be mailed to all vendor sales managers enumerating the year-to-date sales of Lightning products of each sales representative.

5.2 Monitoring

- 5.2.1 Lightning's customer service personnel, as well as its website and email address, can be utilized by sales representatives to forward questions or concerns about the incentive system.
- 5.2.2 It is Lightning's policy to investigate all concerns raised, and to report back to the complainant the results of the investigation without prejudice.

5.3 Repair

- 5.3.1 Lightning sends out small notes or cards thanking sales representatives (who are not anonymous) for their interest in the incentive program.
- 5.3.2 Results are reported back to sales representatives who made the original complaint.
- 5.3.3 Lightning's management is cataloging complaints and concerns to determine if there is a pattern to them. From the catalogued complaints and concerns the management will develop a plan to remedy the problems.

Lightning knows that if their record keeping is inaccurate, sales representatives will reassess the value of its incentive system, and in all likelihood focus their attention on selling competing products. Thus, Lightning will inform its own employees of the necessity of maintaining its traditionally high levels of support for customers and associates.

Event Six: Mood

6.1 Implementation—none

6.2 Monitoring

- 6.2.1 It is not possible for Lightning to monitor the mood of sales representatives directly. Therefore, they are relying on sales managers to report mood changes and on representatives to send in complaints via email, internet, phone, or fax.

6.3 Repair

- 6.3.1 Lightning is not being prescriptive with the outside vendor sales representatives regarding how they try to sell Lightning's products. The sales representatives are free to use whatever marketing or sales strategy they desire in order to meet their sales objectives. Lightning does, however, provide excellent sales and technical documentation as well as efficient sales aids.
- 6.3.2 Lightning Electronics does not involve itself in the details of the physical work environment of the sales representatives of the various outside vendors.
- 6.3.3 Lightning is encouraging the sales managers to speak with their sales representatives to stimulate their participation in the new incentive system.

Lightning does not want the sales representatives to be "disgusted" with any potential mismanagement on Lightning's part, nor do they want the sales representatives to be particularly enamored with the incentives offered by its competitors.

Event Seven: Active Choice/Persistence/Mental Effort

7.1 Implementation—none

7.2 Monitoring

7.2.1 Via the monthly reports with aggregated and individual data, each sales manager and sales representative is made aware of his or her total sales, the kinds of gifts that could be earned, and how much progress needs to be made in order to reach particular desired incentives.

7.3 Repair

7.3.1 If failures to raise sales persist, then Lightning will reassess the details of the entire incentive system and take appropriate corrective measures.

While there may be other tasks that sales representatives have to perform, they are not a concern to Lightning Electronics. All Lightning is concerned with is an increase in its sales volume. Whether that sales volume increase occurs with a reduction in sales of competitors' products is of no consequence to Lightning. Sales representatives are incentivized merely to increase sales of Lightning products.

Event Eight: Performance Improvement

8.1 Implementation—none

8.2 Monitoring

8.2.1 Through its accounting system and monthly reports, Lightning will track sales data and deliver that data to its vendors' sales representatives

8.2.2 Lightning will perform a quarterly cost/benefit analysis to determine if sales have increased, how much has been spent on incentives, and if maintenance of the incentive system is warranted.

8.3 Repair

8.3.1 If progress is not being made toward meeting the work goal, or if the system fails the cost/benefit analysis test, then Lightning will reassess the system and its stated work goals.

Management is confident that the combination of targeted incentives (which are similar in format and type with incentives offered by competitors), high product quality, good technical support, and low cost is a winning combination; sales should increase significantly. Sales data and incentive costs are carefully monitored to ensure sales representative satisfaction with the incentives, increased sales revenue, and reasonable cost.

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