

## **Togetherness in performance and rewards**

Team incentives, team-based performance measures, corporate performance, profit-sharing.... these are all elements of pay and performance emphasising a similar message, that the sum of the whole is more valuable to the organisation than the individual on its own.

Think about where we have come from in the days of “sorry, that’s not in my job description.” These days, there is an emerging emphasis on a more cooperative environment in which employees learn to share their talents and information by working as a team. Work design now requires flexibility and varying skill sets to meet customer demands and operation schedules. Self-managed teams and team-based performance has become more prominent in organisations and has literally taken over in many industries, especially the manufacturing arena. No longer do we have the luxury of having a clear-cut job description. And no longer can we afford to reward the individual without consideration of the broader group.

Companies attempt to link pay with individual performance by identifying unique employee contributions for pay purposes. These are the most widely used pay-for performance programs. What organisations are beginning to now question is how do we ensure that the individual is actually working toward the bigger picture.

### **Team Incentives**

While incentives have been around for many years, the nature of their design is seeing a marked change. As more companies review their existing schemes, the need to link team performance into the equation is becoming more prominent. All too often individual incentive or commission schemes reward the individual to the detriment of the team. In many cases, the best-intentioned scheme can actually reinforce an overly competitive behaviour that pits team members against one another.

Organisations are finding that the nature of business is evolving. A more coordinated approach is necessary in order to service the needs of the customer.

The interdependencies among departments within an organisation become a crucial determinant to organisation performance. Therefore, linking rewards to both team outcomes and individual performance facilitates the achievement of corporate goals and objectives.

One example of this is the sales consultant at XYZ Consulting. Recent strategic changes had the organisation moving to an account management approach requiring a more coordinated team effort. While the work design had been changed, the incentive design in place still reinforced the old regime. Therefore, to ensure alignment with the new work design, there was a need to include an element of team performance in the overall incentive reward. By shifting the breakdown from 100% individual performance to 30% individual, 50% team and 20% company performance, the consulting company was able to send the strong message of team coordination which was reinforced by rewarding the achievement of team goals.

### **Linking to Company Performance**

Organisations are looking for creative ways to provide the link between the broader group’s performance and rewards. Many organisations are including an ‘over-riding clause’ to bonus and salary plans. These clauses provide the link to corporate performance indicators. If the organisation performs well, the amount of the bonus pool or salary increase remains at the targeted level. Should the organisation not meet its corporate goals, then the pool of money may be decreased or even eliminated altogether depending on the business results. But the message remains, if the company does poorly, should rewards be altered to reflect this? The answer is affordability.

Surprisingly, many remuneration programmes have no link to the company’s ability to pay. Organisations find themselves having to pay out significant sums for individual performance through

the annual salary review or bonus payment process even in low performing years. Employees feel “entitled” to a payout regardless of the company’s performance.

Creative remuneration management, in which pay is tailored to the needs of the organisation, the nature of work, and the characteristics of the work force, is playing an important strategic role in organisations. Team-based, rather than individual, criteria for pay should be used when the goals of the business are to strengthen the broader group’s performance. The message that “we’re all in this together” has been beneficial in gaining recognition from the individual that rewards must have some reference to team or company performance.

Have a look at your organisation’s remuneration programmes and ask yourself, is there a link between team or company performance and rewards?