



**AwardEmployees**

... with the award they would choose for themselves.

## **Why Do Incentive Programs Fail?**

## Top Ten Reasons Why Incentive Programs Fail

**Are all incentive programs successful? ... No! In fact there are some studies that show that as many as 66% don't produce results or in fact have negative results. Why?**

An incentive program is not a panacea for all employee performance issues. It is not a substitute for all the right things you know to change employee behavior. It is not a substitute for poor leadership or unfair compensation. But when used in the right context, it will definitely highlight all the other programs that you implement and can motivate your employees to improve performance.

Like the proverbial story of making the horse drink at the trough, you can avail your employees of all the programs necessary to make them successful, but with some of them you will not be able to make them "drink."

An incentive program is nothing more than a tool to motivate your employees to want to take that first sip. Once they do, the vast majority will want to continue the experience for the simple reason that there is something in it for them.

### Why Do Programs Fail?

Incentive programs can fail for a variety of reasons. Following are some of the more typical things that will negatively affect them:

- o If your employees don't believe the objectives are attainable, they don't work to achieve it. Make sure you do adequate financial analysis up front in order to set fair objectives. Nothing will turn your employees into non-performers more quickly than being asked to do something that's beyond their reach.
- o When management is not involved in the program and doesn't promote it or encourage participation, the program will not be as successful. This does not must apply to program management or management of the participants of the program, but all levels of management from front line supervisors to the CEO.
- o If employees don't think the rules are fair, or they are too complicated to understand, they won't even buy into the program in the first place. Make sure your program is as simple as possible and gives all the employees a fair opportunity to earn awards.
- o Make sure everyone has a chance to earn. Don't implement a program where only a select few have any chance or receiving awards. If you want competition, compete your company with your nearest competitor, not with themselves. You should want everyone to be a winner.
- o Take advantage of the fact that you have a program in place and recognize performance as often as possible, even daily. Break down long term objectives into shorter term goals and reward performance with smaller awards on a consistent basis.

- o When your program is based on chance, it is less likely to produce the continuous behavior change you are seeking. You will get less than active participation from the majority of your group when they know that even if they personally perform, they only have a small chance of earning an award. These types of programs can actually be negative. While they may produce positive short-term results, they rarely have long-term affect.
- o If the award is not what the employee wants, they don't work hard to get it. Companies often use awards that they think are motivational, but really aren't. Freedom of choice is key in your incentive program. We have all heard stories, or may have experienced times when people really didn't care for the award they received. Many millions of dollars have been spent on incentive awards that are still sitting in the closet waiting to be used as a gift for the next wedding.
- o The lack of proper measurement and feedback can be a deterrent to a successful program. Having a program without telling your employees how they are doing would be like bowling with a curtain in front of the pins. People want to be measured and will respond positively when you let them know what it is you want them to do and then tell them how they are doing.
- o Lack of communications can be just as harmful to your incentive efforts as anything. As much time should be devoted to how to communicate your program as possible. This can mean the difference between a marginally successful program and one that produces terrific results. Take advantage of the "what's in it for me" aspect of your program and use communications whenever and wherever possible.
- o Make sure that the award is commensurate with the effort to earn it. While it is recognized that it takes three dollars in cash to motivate the same results as one dollar in non-cash, you still need to provide enough award to make it meaningful to your employee to change their behavior.

Correcting any of the above reasons will not guarantee you a successful program, there are always outside influences that come to bear. But if you are conscientious in your planning and design and make sure you are aware of these issues, your chances of success are greatly increased. A study done by the International Society of Performance Improvement states clearly that properly designed programs will increase performance.

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