

# How to use incentives to keep staff happy

Incentives can be immeasurably powerful as a tool to motivate staff. Dr Nicola Davies takes a look at when and how to use them

What is an incentive? Many people think that cash is the only way to motivate staff. However, there are several types of incentive and they don't have to cost a lot of money. Here is a simple categorisation of the different types, how they work to motivate employees and how they can be applied.

### 1. Compensation

This is the traditional method that everyone recognises. Examples of compensation incentives include raises, bonuses, profit sharing and stock options.

Raises and bonuses are an excellent motivator provided that specific performance and developmental outcomes are linked to the raise or bonus. Everyone likes to feel that they can advance in their work and earnings are a way of keeping score.

However, employers should be cautious when using this type of incentive since the employee will become demotivated if he or she achieves the criteria for a raise or a bonus and then fails to receive one. Co-workers watch each other closely and if an employee is rewarded for a specific achievement, colleagues will understandably expect the

same reward for matching achievements. This is an example of a benefit turning into an entitlement. Nevertheless, if you are comfortable with the sustainability of this option, and are able to administer it even-handedly, compensation incentives can still be a powerful tool.

Profit sharing and stock options are usually only effective when applied to management-level employees who have control over the profitability of their work unit. However, they have been used with some success at well-known retailers such as the John Lewis Partnership.

### 2. Recognition

This type of stimulus includes offering a simple word of thanks, praising employees, awarding certificates of achievement and giving recognition for accomplishments at staff meetings. Many are inclined to believe that non-financial incentives are less powerful than financial ones but in fact, the opposite is true.

A 2009 survey by McKinsey & Company found

that employees were more motivated by non-financial incentives. In order to use this kind of motivation effectively, recognition should only be given when it is due. Never give recognition if you are not certain that

“Recognition should only be given when it is due”

the employee has performed well. If recognition is given to an under-performer, employees may feel that substandard work is highly commended.

If, however, an under-performer improves noticeably, this can be recognised and rewarded. It is also important to create a

framework and schedule for recognition incentives. For example, if you would like to select a ‘salesperson of the month,’ a transparent and even-handed framework for deciding who gets the reward needs to be in place.

There are several ways to gather information and different rating tools can be

used. For example, a manager can perform unscheduled spot checks and fill in a scorecard. Independent agencies can also be employed. The Coolings Garden Centre Group in Kent uses ‘mystery shopper feedback’ as part of its customer service ratings for sales staff.



Be sure to take heed of the ‘mystery shopper’ feedback

### 3. Reward

This includes items like gifts and gift certificates, an afternoon off, or a sponsored outing. Reward incentives have the advantage of combining recognition with something tangible. Rewards don't need to be large or expensive – employees will vie for the reward for the sake of the feeling of achievement it brings.

Some general guidelines for effective incentives:

- Employees must know why they are offered
- You should be clear about the desired outcomes
- Measurement criteria needs to be clear and objective

- Timelines should be stipulated
- It is important that rewards are even-handed
- You can increase their power by presenting the employee with a thank you card or letter
- Vary incentives such as gifts to keep interest alive

#### Make it personal

Internal motivations differ from person to person. Get to know your employees as individuals in order to determine what drives them. For example, some young people hand over their salaries to their families and in such a case, a monetary incentive might be less effective.

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## Incentives in the garden centre workplace

Lesley Phillips,  
Russells Garden Centre

### How do you motivate your staff?

There's nothing official, we just work really closely with them. Maybe Russells is different from places where the managers are remote from the business in that regard. We're family-run, and we try to make it a lovely place to work.

We always make sure we listen to our staff. If they've been working particularly hard, we'll buy cakes and recognise their effort that way. We always remember birthdays and we take them for outings – for instance to the cinema – and Christmas dos. I also take the girls for an annual trip to the beauticians.

We don't really offer financial incentives. Obviously, you've got to be competitive wage-wise, but really it's about making it a good place to work.

### How do they respond?

They've all been here quite a long time so they seem to respond fairly well. I think if you asked them whether they like working here, they'd all say that they love it.

Sarah Squire, Squires

### How do you motivate your staff?

Squires offers a bonus, which is paid out at Christmas and based on the profit of the company as a whole during the previous financial year, ending on 1 August.

The bonus pot is paid out as a percentage of salary to those who have been with the company for the whole of the financial year with a pro rata adjustment for staff who joined part way through.

We also have a tradition of giving every member of staff an Easter egg and all the ladies a red rose on Valentine's day. A smile and a heartfelt thank-you also go a long way!

### How does the financial incentive impact on performance?

Every person has an interest in controlling expenditure and wastage, thinking about GP and making the business plan happen. It's great for team work and encourages individuals to come up with good ideas and efficiencies. The bonus may also be reduced – for example as a result of absence or disciplinary matters.

The bonus scheme, which is non-contractual, has been operating for many years and is very popular.

