

DEVELOPING INCENTIVES

PRINCIPLED LEADERSHIP TOOLKIT

Introduction

Conventional wisdom says that you should reward the behavior you want from your employees. But when you want your employees to act ethically, how do you determine what to reward? And what incentives work best?

Employers should keep incentives consistent with their defined core values. Incentives can be very affordable. Often, employees appreciate simple recognition or small gifts. While bonuses are a possibility, research shows that badly designed monetary incentives can encourage unethical behavior.

This Toolkit explores how to reward ethics at work, what behavior to recognize, and which incentives to consider. It also points out how to keep incentives fair and constructive.



**REWARDS COME BY
EMPOWERING OTHERS, NOT
BY CLIMBING OVER THEM.**

John Naisbitt

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INCENTIVE FLOWCHART

This Toolkit covers four major issues you may encounter when rewarding ethical actions.

1. Identifying positive and negative incentives.

2. Aligning your incentives with your company's goals.

3. Picking the right incentive for your needs.

4. Measuring the effectiveness of your incentive plan.



**IT'S ALWAYS GOOD TO RECEIVE
RECOGNITION FOR YOUR WORK.**

Natalia Lafourcade

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GETTING MOTIVATED

Incentives motivate action, but what type of action? Misconduct can arise when an employee is trying to reach a bonus. While unintended, incentives can motivate in the wrong way.

It would be terrible to have such a result when rewarding ethical behavior! To avoid that outcome, here is how to build a foundation for an incentive program:

- **Before setting incentives, set standards.** Give employees guidance through a code of ethics or an employee manual. Employees need to know what you want from them to act.
- **Demonstrate and enforce those standards.** Show employees the importance of your code. Hold yourself to its standards, and discipline violations.

- **Apply the rules consistently.** There can't be one rule for managers and one rule for everyone else. For employees to feel the importance of ethical standards, they need to see that everyone is measured by them.
- **Allow for nominations.** If an employee sees someone taking exceptional action, they may want to let you know so that person can be recognized. Set up a private way that people can nominate their peers for ethics recognition.

With this foundation set, you can proceed to create some incentives that focus closely on ethical actions in the workplace.



KEYING INCENTIVES TO ETHICAL GOALS

DO YOUR INCENTIVES MAKE SENSE?

When you want to raise revenue, you would probably increase commissions or offer a bonus ... but does that work for ethical incentives?

That depends on how you define your core ethical values. Think about it. If you are prioritizing teamwork, do you want to make a big deal about one individual, or recognize the entire team? If honesty were essential, you wouldn't call out a resolution that exaggerated a product's capabilities.

Use this worksheet to brainstorm incentives based on your core values.

Incentive Worksheet

- What are your company's three top ethical values?

1. _____
2. _____
3. _____

Tip: If you are unsure, use the Walk the Talk and Code of Conduct toolkits for guidance in identifying your ethics profile.

- Do your top values focus more on teamwork or on individual character?
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KEYING INCENTIVES TO ETHICAL GOALS, CONTINUED

Incentive Worksheet, continued

Think about your corporate culture and your workforce. Is your group extroverted? Do they socialize together outside of work? Is the culture focused on long-range outcomes or detailed daily requirements?

Do you have a newsletter or other company publication? How often does it come out, and does it feature employees now? Why or why not?

Do you have an annual or more frequent banquet, picnic, or event where employee recognition is (or could be) featured?

Do you already recognize business achievements, such as sales goals? Are other accomplishments or life events marked in any way? Why or why not?

Working through these questions should give you some ideas for easy ways to bring in some ethics recognition consistent with your company's culture.

THE RIGHT INCENTIVE

When planning incentives, most employers automatically think "bonus." But there are many options to honor ethical employees.

- Gift cards: Cards allow recipients to use a gift on whatever they would like. It's smart to keep these neutral: pick a stored-value Visa or Mastercard rather than risk giving a steakhouse voucher to a vegetarian, for instance!
- Tickets: If you know an employee well enough, you might buy tickets for an event you think they would like. Or buy a certificate for the venue so they can pick a date.
- Travel vouchers: Employees who are planning vacations or just like to travel may appreciate airline or rail vouchers with long expiration dates.
- Extra PTO: A couple of extra time-off days could be very welcome.
- "Gold Star" Awards: Sometimes, simple recognition makes the difference. Consider an employee-of-the-month award or another way to show appreciation for exceptional performance. If given sincerely (and remembered in performance reviews), a certificate or other token may be very appreciated.
- A Personal Note: Simply writing a few words of appreciation in a card or letter is surprisingly effective. Hand-written notes are rare, and they show time and thought. Consider making a habit of short, sincere notes for small victories on larger goals. It's a memorable gift.

**REMAIN STEADFAST IN YOUR
PURSUIT OF EXCELLENCE**

Mark Esper

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MEASURING OUTCOMES

After you start providing incentives and recognition for ethical behavior, **measure how it works.**

How do you do that? Use this list to gather feedback to make your program more effective over time.

- **Incorporate ethics into employee reviews.**

If your company wants to demonstrate ethics, then employees should be measured on how they support that goal. By making core values part of employee evaluation, you link progress on that front to compensation and promotion, effectively making an incentive for good behavior.

- **Use employee surveys.**

Over time, survey results can show how employee opinions are shifting, and how they feel about the company's core values (and how you recognize them with employees). A well-designed survey repeated each year provides important numbers that show where you are headed. In between surveys, you can also ask for feedback, including anonymous comments.

- **Check in with customers.**

Surveying your customers can be a great way to find out if your ethics focus is coming through. Consider a "check-up" model or an optional survey to find out whether you are communicating core values.

