

Performance Based Incentive Plans- A Means of Boosting Productivity within Your Organisation

Today's competitive business environment has led to a greater emphasis on organisation and worker productivity. Attaining a higher level of productivity is considered to be key in achieving a thriving business, as resources are used more efficiently in the business work process to create more value for the firm. It is commonly viewed that organisational productivity is fairly low due to the 'production process' but it is also important to note the role of employees in boosting productivity. Organisations are increasingly investing in the development and implementation of performance based actions which contribute to the achievement of organisational goals.

Performance based incentives link individual and corporate achievement of predetermined outcomes with remuneration. In other words, pay is allocated on the basis of the individual performance and business results rather than paying for the job or length of service.

Many businesses which have implemented performance-based incentive programmes have realised the benefits. They have found that an incentive program that rewards improved business results translates into increased productivity, higher profitability and a more motivated staff or employees.

An article in the Harvard Business Review of March-April 2000, called 'Leadership That Gets Results,' reports that 'of six leadership styles studied, the use of rewards was the single highest predictor of 'organizational climate' and in turn had a direct correlation with financial results'.

In his article, 'The Reward That Makes Employees Work Harder' on The Business News Daily website, Chad Brooks adds, 'A study by workforce solutions firm Kelly Services found that 40 percent of employees feel they would be more productive if they had their earnings linked to certain performance or productivity goal. Currently, nearly a third of the companies surveyed use a performance-based pay system with their employees. Performance-based pay involves any arrangement where an element of the

total salary is tied to meeting performance targets, including profit-sharing, performance bonuses and sales commissions’.

However, before an organisation can develop a successful performance-based incentive program, there must be a clear vision. Without such direction, it is difficult to identify the types of performance that should be rewarded. Therefore, organisations must create a clear vision and identify the steps required to achieve it. This is important as, a clear corporate vision is the foundation on which all effective performance based incentive systems are based.

The corporate vision has to represent a high-level understanding within the organisation of where it would like to be in the short, medium and long term. After defining the vision, subsequently the elements of an effective performance-based plan can be identified. Without a clearly stated vision, even the best designed programme will drift aimlessly. It is also important to bear in mind that although incentive programs can encourage employees to perform at high levels of productivity, employers should always analyze the merits of the program prior to implementation. They must determine the optimal incentive plan that is in the best interest of the business and that will help improve performance and promote ethical behaviour.