Sequencing the Introduction of Incentives

The temptation to introduce a new incentive plan early in change implementation is powerful but potentially harmful. Some brief examples of unintended consequences include:

- A community bank introduces a sales bonus designed to encourage more aggressive revenue generation on the part of employees. Customer service representatives now ignore the complaints of, and even occasionally hang up on customers once those customers have expressed a lack of interest in purchasing additional bank services or product offerings.
- After introducing a new executive bonus based on divisional performance, an organization finds its executives withdrawing shared resources from other divisions in order to maximize their own performance.
- A Silicon Valley–based software developer, which had relied heavily on stock options to attract employees, reels when its stock price drops sharply; high turnover deteriorates performance, which leads to even lower stock prices and leaves management with little to offer new employees by way of attraction.
- A plant manager halts a team-based incentive plan because of increasing rivalry among teams.
- A school system finds its "Teacher of the Year" bonus award designed to enhance performance instead leads to dissension and distrust among its formerly collegial faculty.

When applied early, new pay incentives can either fail to alter long-standing patterns of behavior or, even more troubling, change patterns of behavior in an unintended, even unwelcome way.

In the above examples, new incentives were put into place before a thorough diagnosis of the existent patterns of behavior in the organization; before a carefully, strategically guided, and participative effort was made to redesign roles, responsibilities, and relationships among employees; and before human resource development worked to imbue the organization with required new competencies. Management turned to incentives as a quick fix: an intervention that would immediately shape employee behavior. That is exactly what they did, of course, but not in a desired way.

Theory into Practice

Introducing new incentives early in a change implementation process risks negative consequences.

When it comes to integrating new incentives into change implementation, leaders face two types of choices: *what* and *when*.

What choices relate to decisions concerning the design of their incentives:

- At what level of performance will incentives be set?
- How large will potential incentive earnings be in relationship to base salary?
- To what extent will the incentives emphasize short-term or long-term performance or some blend of the two?
- How far up and down the hierarchy will incentives be offered?

The goal of the what questions is to make design choices that reinforce the behaviors sought of the strategic renewal and organizational change.

The *when* question relates to when incentives will be introduced in a sequence of transformational interventions. Michael Beer has suggested that pay changes be thought of as a "lag" intervention: one that follows other interventions and is not called upon to drive new behaviors.[27] Failure to diagnose and redesign first increases the likelihood that the new incentives will misfire, leading to unintended and perhaps negative consequences.

Technology and Behavior Change

Most employees, whether in high- or low-tech companies, in manufacturing or services, or in small or large organizations, have experienced the impact of new technology. Advances in computers and connectivity, in particular, have revolutionized the use of information.

Technology refers not just to the actual hardware but also to the processes and interactions of human behavior required to convert raw material into finished offerings, to turn raw data into actionable information that can guide behaviors. Although the technology itself may be stunningly innovative, the use to which that technology is put does not always alter patterns of employee behavior; it may simply automate existing patterns of behavior.