



Best Practices in Non-Cash Incentives

In the film *Glengarry Glen Ross*, Alec Baldwin announces a new sales competition. First prize is a new Cadillac, second prize is steak knives. “Third prize: You’re fired.”

It’s only a movie. But sharp performance-based differentiation is widespread in business, as corporations reward success grandly and send failure packing. IBM, for example, has long taken an “Incent the best, starve the rest” approach to its sales force.

Incentives can change behavior in every area of a company’s operations, and the right balance of cash and non-cash rewards can deliver dramatic results. Here are some guidelines to using non-cash incentives successfully:

- *Align incentives with goals.* Think carefully about the behavior you motivate, because you’re going to get it. For example, incentives based on total sales encourage sales in general — but rewards based on total *margin* drive *higher-value* sales. Also take care that the energy directed toward your chosen goals isn’t simply shifted from other projects.
- *Understand your target.* NASCAR tickets thrill some employees, while Amazon.com gift certificates interest others. And although everyone likes recognition — from the newest hire on a line to the oldest head on a locomotive — not everyone enjoys the spotlight. Fortunately, finding out what workers want is easy. Just ask them.
- *Measure, measure.* Calculate the value of the results you want. Then decide what you’re willing to spend to bring them about, and design a cost-effective program accordingly. Measurement after the fact is important, too: Track the outcome of your incentive plan to learn what works best.
- *Contract out some or all of your program.* Many vendors provide non-cash incentive services. off-the-shelf or

customized. Some will even manage the entire show. They've already developed offerings to interest your people and technology to deliver them.

We can help you assemble the resources for an incentive program that makes sense for your business.