



**TIP OF THE WEEK**

September 9, 2008

Although I am not in favor of rewarding employees for “doing their job”, I do believe that work behavior is informed by compensation. For instance if you want to accomplish an important goal, promise to reward everyone financially when it is accomplished. If you do, I’ll bet that you’ll find that people will focus on that goal – assuming the goal is attainable or the reward’s high enough. For instance, I’m not a mountain climber. But if you offered me \$100 million if I could reach the summit of Mount Everest, I just might try to become one.

Sales is one area that responds to incentives: for new business, for retained business, for higher margin work, for a new process or area of concentration, for whatever it is you want the salesperson to focus on. In my experience, very successful hunters, salespeople that are good at getting new clients, are almost always motivated by money.

One professional services firm that I know rewards their associates whenever their personal billing exceeds x times their wage. In this way, management has focused their employees on achieving an important goal.

Watch out for sub-optimizations. That’s where people focus so much on a goal that they neglect an important function. Like forgetting to take care of your existing customers just so that you’ll hit your new business bonus. You can try this on a small scale to gauge its effectiveness. And remember that incentives should be flexible, adjusting to the company’s changing goals from year to year. I think you’ll find that conceived, tested and implemented thoughtfully, they work.

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Good luck. Work **ON** your business. Stay in touch.

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