

Thinking Managers

Robert Heller of www.thinkingmanagers.com questions the role of incentives in driving beneficial business strategies and outcomes.

Incentives and Mistakes

How effective are incentives as a business strategy?

It is incorrect to think that a high level of intelligence is protection against stupid management behaviour. In actual fact, it sometimes follows that the brighter people are, the further they have to fall. High intelligence is too often accompanied by arrogance, and that is one of the last character traits that people of power can afford to display. Unfortunately, many of them do exactly that.

The primary task of management is to steer the organisation to achieve the best possible corporate results, but in reality a diversion often lies in the quest for personal reward.

Of course, you can't always blame the beneficiaries. If you hand someone a blank cheque and allow them to fill in the figures themselves, modesty is hardly going to be the dominant trait. Greed takes over. But the overwhelming evidence suggests these sums, no matter the size, have absolutely no impact on the quality of management. It is entirely possible they will affect motivation, but an individual manager's motivation towards personal gain is no incentive to stimulate collective performance. In fact, it can be a hindrance to the company at large.

The most disruptive aspects of incentives that don't possess a true incentive element are that they (a) demoralise those who don't share the rewards, and (b) persist in the face of all criticism.

Of course, negative incentives do every bit as much damage as supposedly positive incentives which fail to fulfil their purpose. But there is no mystery surrounding the causes of poor motivation, and it is obvious when present in a business – the grumbling and unresponsiveness are deafening should you care to listen. What's more, there is a plethora of highly trained consultants who can pinpoint exactly what's going wrong with your business and why. However, all their help will be in vain for anyone who can't face up to facts.

Big mistakes arise when people are in denial. It follows, therefore, that the most effective protection against error is denying the deniers. The latter are often working on the basis of lies. When forced to admit their losses in the subprime market, the Wall Street masterminds mostly started with much lower numbers than those that are now becoming apparent – and quite possibly still growing. The denials only serve to put off the inevitable terrible day.

Come that day, the bad news must be delivered all the same. The mark of the Super Manager, however, is that not only do they recognise their errors, but they tackle them with just as much energy as they do their successes.

Belligerently carrying on in the face of gross error not only sustains failure, it also shuns opportunity.



About the author: Robert Heller is one of the world's best selling authors on business management.