

## Four ways change agents can make reward strategies effective in change

Rewards are a real challenge for change agents. It can seem all so logical but so hard to do well. In our databases it remains one of the highest risk factors in change.

Conventional “change wisdom” would say that rewards help to encourage people to change behaviour and reinforce new, positive behaviours. Moreover this wisdom would go on to say that *“The way to a person’s heart is through their wallet”*. In other words financial rewards drive positive change or, at the very least, that if the change is not aligned to the rewards people receive it will likely falter or fail.

All of the above is generally correct. The only problem is most change agents can do little to influence the financial rewards of the organisation. Plus in most organisations the formal reward system is set in concrete every year. So, if you are the change agent for a major cross-organisational project you might get that project “baked into” people’s performance goals. In which case you may well get their attention. But for most projects that’s not the case.

### Underlying beliefs about rewards

So do you give up on rewards and hope it all works out? Let’s briefly look at some of the underlying beliefs people have about rewards before answering that.

Most change initiatives require extra effort from people. We have to establish new goals and find different ways of working and behaving. For example, you could reward behaviour change, milestone achievement, active involvement in the change and the willingness to test and pilot new approaches.

Organisations should seek to reward the extra effort and any successful achievement of those goals. Conversely, we need to send out a strong message that old ways of working and resisting change will not be rewarded.

These rewards can either be extrinsic or intrinsic. Extrinsic rewards, usually tangible rewards you can touch or see, include: bonuses and incentive payments; gifts to recognise appropriate behaviour immediately; increasing salaries for achieving change results and time-off. Intrinsic rewards can include, usually less tangible, more psychological efforts such as public recognition; celebrations; positive feedback and encouragement.

## The problem with big rewards

So, back to the question: If most change agents can do little to influence the financial rewards of the organisation do they give up on rewards and hope that the other change actions they are taking will substitute for a lack of rewards?

It certainly appears hard to change compensation schemes for individuals or groups. Even if you can, compensation schemes of this nature are very hard to get right. Many times the law of unintended consequences kicks-in. You want to get one result but instead you encourage another type of behaviour. Usually one you didn't want.

The other issue is that most companies are running multiple change programmes and it becomes next to impossible to align compensation plans with all of the activities.

But the good news is that you can encourage sponsors to give smaller rewards that are not tied to the company compensation system. There is a fair amount of research to suggest that quite small, unexpected awards can have a very positive effect.

## Four ways agents can make rewards work

### 1. Exceed people's expectations

Satisfaction is often the gap between what you receive and what you expected. In other words  $Satisfaction = Perception - Expectation$ . Small awards can have a big impact on people's favourable view of the change. In a meeting with a European CIO and his team recently this issue came up. Initially people were very sceptical but when asked to think again about rewards that had worked for people they began to list a host of small "rewards" they had seen be effective. These ranged from letters from the CEO to project team members, impromptu celebrations, small financial awards such as gift tokens, thanks in public forums ("*it made me feel great*") and small gifts sent to spouses or partners to recognise that project team members had been working 16 hour days. People in the team talked about the positive effect these rewards had had on them versus the possibility of a small incremental salary increase or even a bonus which could be tied to many factors. So in a sense you can be successful when you "pleasantly surprise people"

### 2. Give rewards as soon as possible after the result

Small rewards should be given out by very close to the event. So, if sponsors catch someone doing something successfully they can reward them within hours or days. This tends to be far more motivational than delayed rewards. Compare this with the annual bonus process where you could complete a project in February and get a reward the following January. No one can remember what it was you were being rewarded for.

### 3. Make the rewards appropriate

Think about going around to a friend's for dinner. Your host cooks a great meal and at the end of the meal you hand over £30 and say "This is to thank you for a wonderful meal". Your host would probably be very offended. But if you took a £30 bottle of wine around it would be accepted gratefully and in the right spirit. I don't know about you but there is still something about receiving a handwritten "Thank You" card. You feel good when you receive it. The reason for this is the card or a bottle of wine is a social gift and the £30 is a market price paid for something. They come with different expectations and contracts. Given appropriately small rewards can be very powerful.

### 4. Make the rewards feel personal

This builds on the idea of appropriateness. I was with a change agent team recently at a dinner. They were about three quarters of the way through a project and doing well. One of the main sponsors had arranged the dinner. Towards the end of the meal he gave a very short but thoughtful talk about how well they had done and then gave out, to each person, a small wrapped present. They opened it and inside was a pen with the name of the project inscribed on it. Everyone was delighted. But talking to the team the next day it was clear that while the pen was a nice gift what had really impressed them was the care the sponsor had taken with the present. To them it felt very personal. It wasn't something the organisation had given them but rather something the sponsor had given them. This makes the reward feel so much more motivational.

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