



Book Rewarding Teams

Lessons from the Trenches

Glenn Parker, Jerry McAdams and David Zielinski
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Recommendation

When you want to encourage a project team, you have to do more than cheer, "Go, Team, Go!" Authors Glenn Parker, Jerry McAdams and David Zielinski show you how. They provide examples of how today's top companies use the three most important reward systems for teams - recognition plans, project team incentives and organizational unit incentives. They include 27 detailed case studies to show how these companies designed and implemented their systems. They consider difficult issues that affect the reward process, such as how to deal with under-performing team members. At times the writing seems academic, though the text, charts and summary lists are generally clear. *BooksInShort* suggests this book for anyone who is in charge of employee rewards and compensation. The book may seem a little dry, but its message is juicy: Just the right combination of perks, pay and programming can mean lots more to a team than just cheers.

Take-Aways

- For effective team development, provide teams with a reward and recognition system that fosters collaboration.
- Your organizational culture - including your symbols, rituals, stories, myths and heroes - should support teamwork.
- Consider compensation and benefits as the cost of doing business.
- Other rewards include competency-based rewards or individual performance incentives.
- The three major plans that reward teamwork are recognition plans, project team incentives and organizational unit incentives.
- Recognition plans follow a particular behavior.
- Project sponsors usually create project team incentives to reward employees for achieving specific objective goals.
- An organizational unit incentive encourages teamwork.
- Organizational unit incentives make all levels of managers accountable for the people in their area of responsibility.
- Use a mix of team-based recognition and incentive rewards.

Summary

The Development of Teams

Companies are using different types of teams for different purposes, including cross-functional teams, self-directed teams, ad hoc project teams, process-improvement teams, management teams and many others. Typically, teams are created because someone thinks a collaborative approach will be more effective.

“Organizational unit incentives can be the most powerful reward plan type to support a culture of teamwork. They can make a business strategy come alive.”

In most organizations, as each team forms, a sponsor helps organize the members. Then, the sponsor orients key stakeholders and chooses the team leader. Then either the sponsor or the leader selects the team members. They first assemble at the launch meeting where the sponsor or "champion" presents the team's vision, along with information on management's expectations and the team's level of empowerment or authority. Then, the team prepares objectives and a plan that aligns with the goal or vision.

“Team building, coaching, facilitation, informal recognition, exhortation and good intentions can only take you so far. At a certain point teams come up against a variety of environmental obstacles. The key to moving forward is to ensure that all organizational systems are aligned in support of teams.”

During the start-up phase, the company provides the team with training on such skills as group dynamics, team norms, problem solving and decision making. Most teams get off to a fast start and quickly move to address the problem or opportunity they were created to confront, since the initial power, freedom and management support energizes them. As a result, teams generally achieve some early victories during this initial "forming" stage.

“One of the keys to success in improving organizational performance is to ensure that reward plans reinforce the desired culture, or at least attempt to reduce the gap between the existing and desired culture.”

However, after this initial honeymoon, team members often experience letdowns, negative reactions and performance plateaus in what is sometimes called the "storming" stage. As a result, dissatisfaction and cynicism can grow. The team must address these issues quickly so they don't undermine its ability to act effectively. Team members must assess their progress to date, think about how to improve and create a plan for what to do next. After establishing norms for how to proceed (the "norming" stage), most teams achieve a peak, sometimes called the "zone" where everything seems to function well.

“The number and visibility of recognition plans says a lot about an organization's culture. The more dynamic and meaningful the plans, the more appreciated employees feel.”

Nevertheless, this zone, too, eventually dissolves and feelings of teamwork decline. Team members may feel management still is handling them with command-and-control methods or valuing the lone individual rather than the team. In short, they feel a lack of rewards or support for their teamwork, so if effective teamwork continues, it does so despite management's reward or recognition program.

Meaningful Team Rewards

The usual methods of supporting teams through team building, coaching, facilitation and informal recognition are only part of what you need to keep team performance high. Teams need the support of all the systems in your organization, including your information, performance management, training and rewards systems.

“Sustaining high-performing teams requires an organizational environment and systems designed to support and champion teamwork.”

Give teams timely, accurate information, including team-directed learning rather than individual skill training. Include specific team behaviors in your evaluations and adapt your reward and recognition system to foster collaboration. Acknowledge individual contributions, but primarily recognize "strong team players." Your organizational culture - including your symbols, rituals, stories,

myths and heroes - needs to support teamwork, since a team-based strategy won't work well if your culture is individually-oriented and competitive.

“You cannot have a strategy that emphasizes teamwork and a structure that encourages collaboration that is not supported by the organization's relevant systems. Some such systems are the following: information, performance management, training and rewards.”

Unfortunately, meaningful team rewards are often the missing link. Not enough is done to support team rewards, resulting in an eventual decline in team morale and performance. Work toward overall alignment between your reward and recognition systems, your training approaches, your communications and your performance measurements.

“Improving where you're headed requires understanding where you currently stand.”

To determine how to improve, start by understanding where you are now. Examine your current reward system, communications and performance feedback, and training and development. Your goal should be to create an integrated program that maximizes your gains from "human capital" and, of course, improves your bottom line.

The Six Types of Reward Plans

Six types of reward plans are available to you, but only three specifically offer recognition and incentives for teams and the organizational unit as a whole. The six types of plans are:

1. Compensation and benefits - These entitlements are a cost of doing business. They focus on rewarding individuals, so you attract employees and keep the good ones.
2. Special reward plans based on competencies - These plans acknowledge individual contributions according to how well employees fulfill their responsibilities, share their expertise or bring to bear any special business or financial competency.
3. Individual incentives - These incentives, which include such things as sales commission plans, reward achievement of a certain performance or result.
4. Recognition plans - These plans can apply to individuals, teams or permanent work groups. Unlike an incentive, recognition follows a particular result. Most recognition plans celebrate organizational objectives, reinforce outstanding individual or team performance, recognize years of service or reinforce desired behaviors or activities.
5. Project team incentives - Usually, these plans are created by a team's sponsor or champion. They generally base their award schedule on achieving a specific objective. Typically, these measures involve reaching a project milestone, completing a project or adding a certain measure of value, such as reducing turnaround time on customer requests. Don't tie financial incentives to milestones, since milestones can change for good reasons, such as technological advances. Instead, use recognition after the fact.
6. Organizational unit incentives - These rewards cover a complete organizational unit, such as the whole company, division or work group. These incentives can be the most powerful of all the reward plans in terms of supporting a culture of teamwork in your company. This approach is powerful because it involves most of your employees, it pays out only when the improvement occurs and it follows results rather than activities. You can also change the incentive as the needs of your business change. Additionally, the incentives make managers at all levels accountable for the accomplishments of the people in their area of responsibility.

“The objective is to create an integrated portfolio of practices that makes maximum use of human capital to improve business performance.”

Consider using a mix of reward plans based on the needs of your business. Whatever plan you choose, effective implementation depends upon:

- Gaining management ownership at all levels.
- Rolling out the plan and operating it as a business strategy, including telling employees what you are measuring and regularly getting their feedback about the plan.
- Assessing the effectiveness of the plan, generally through a quarterly performance review, and making adjustments as necessary.

In the Trenches, Part One: Recognition Plans at Work

Companies that use recognition plans include Chase Manhattan, the Markem Corporation, Merck Pharmaceuticals, Operations Management International (OMN) and Ralston Purina Pet Products.

“The reinforcement model is an easy way to look at your reward plan options. It begins with the organization’s objectives and desired culture.”

Chase Manhattan’s Service Star recognition program is based on peer-to-peer recognition. It recognizes employees at three performance levels - the Service Star, All-Star and SuperStar. Any Chase employee can recognize another employee at the Service Star level by nominating a colleague or teammate who provides outstanding cooperation, support and commitment. The All-Star Award is a \$750 cash award given at the end of each quarter to employees who receive three Silver Stars within 12 months. It also can go to employees who perform one extraordinary action, such as taking an extra step to benefit a customer or another employee. The top level SuperStar award is given each year to an employee who has already received an All-Star recognition, such a teller who acted on her intuition to prevent an elderly customer being defrauded by her private nurse.

“Most basic compensation and benefit plans should be viewed as nothing more than entitlements - a cost of doing business, a part of the employment agreement between employee and employer. They focus on the individual, and their objective is to attract and, with luck, retain employees.”

At Ralston Purina Company, the recognition program involves both non-cash awards and public recognition, which link to team and individual sales achievements. The customer development group (CDG) in the Western Region offers a series of awards to its five-to-10-member sales account teams. Their highest honor, the Best of Breed award, recognizes excellent contributions to the success of CDG West and overall customer development. The Top Dog award recognizes teammates for outstanding accomplishments that help the team meet its goals. The Bulldog Award goes to individual team members who show perseverance and tenacity, such as in completing a key project or closing an important sale.

In the Trenches, Part Two: Project Team Incentives

Companies that use project team incentives include Great Plains Software, Community Health Care, Bayer Corporation, Lotus Development Company and Utilicorp United.

“The critical distinction between recognition and incentive plans is certainty. Recognition is after-the-fact, awarded after behavior is exhibited or results accomplished.”

The Bayer Corporation has a non-cash program, The President’s Achievement Awards, which recognizes exemplary project teamwork and spreads recognition throughout the organization’s 11 divisions. Project and organizational unit teams can nominate themselves but they have to meet some basic criteria, such as successfully completing a series of continuous improvement activities. The company’s second plan, Productivity Plus, offers a cash component. When a team improves an area such as cost reduction or safety, it gets a percentage of the amount the company saves through that improvement.

“Project team incentive plans usually have some combination of these basic measures: project milestones, project completion and value added.”

The Lotus Development Company ties bonuses for a team’s core members to their project deadlines. The company also recognizes small supporting teams that enable the core project team to implement its improvements in the field. It uses cash bonuses from \$200 to \$1,000 per team member, plus a team plaque and a celebratory party.

In the Trenches, Part Three: Group Incentives

Companies that use organizational unit or group incentives include Rockwell Automation, Mid-States Technical Staffing Services, Ameritech Internal Audit Services, Texas Guaranteed Student Loan Corporation, RR Donnelly & Sons, the American Society of Composers, Authors and Publishers, Technology and Manufacturing, Inc., Acme Inc. and Food Processing and Packaging, Inc.

These companies are part of a growing trend toward use of incentive plans for organizational units. This is a response to the growing challenge of continually building shareholder value, while also being responsive to increasing evidence that employees are a company's only real "sustainable competitive advantage." Such incentives tie the activities of employees more closely to the company's strategic business goals. Ideally, when you use these incentive plans, you give your employees a new voice and a stake in the success of your company. For example, Rockwell Automation set up a Critical Success Measures Incentive Plan or CSMIP to link employee performance with business performance at the business unit level.

The Consortium for Alternative Reward Strategies (CARS) studied the effect of organizational unit incentives. Four studies conducted between 1989 and 1999 showed that these plans paid for themselves twice over through a 200% gross return on payouts.

About the Authors

Glenn Parker is a consultant who has worked with pharmaceutical companies, telecommunication organizations, manufacturers, service businesses and health care providers to create and sustain high performing teams, team players and team-based systems. He is the author of *Team Players and Teamwork*. **Jerry McAdams** is the national practice leader of rewards and recognition systems for Watson Wyatt Worldwide and the co-director of the nonprofit Consortium for Alternative Reward Strategy Research. **David Zielinski** is a business journalist who has covered human resources, organizational development and business management for more than 10 years.
