

# What Moves You?

## The Art of Incentives and Rewards in Agile Organizations

### INTRODUCTION

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Imagine leading a workforce that LOVES what they do! A group of motivated individuals who, not only, come into the office to do their job, but take ownership of their work, build respectful connections with their peers and delight their customers. A group that, at its core, has a sincere desire to create value with minimal effort and attention.

It would be uncontroversial to say that every manager strives for this. Leading to the obvious question, "How do I motivate my team members?". Yet there is a fundamental problem with this question. We cannot create motivation. Motivation is intrinsic. What a leader can do is create the space to align a team member's intrinsic motivation to corporate goals.

Traditional employment contracts and reward programs are ineffective, and at times counterintuitive to, achieving this alignment. Most organizations use blunt instruments to motivate their staff. Most commonly, negotiated base pay and individual performance-based annual bonuses.

Business agility changes this. To adapt to a volatile and unpredictable market, these organizations delegate business outcomes and decisions to the people closest to the customer; usually teams and team members. This approach requires alignment and buy-in from all personnel, which in turn requires a new approach to motivation and finer instruments than traditionally used. Knowing what moves people is the next step in evolving an agile organization.

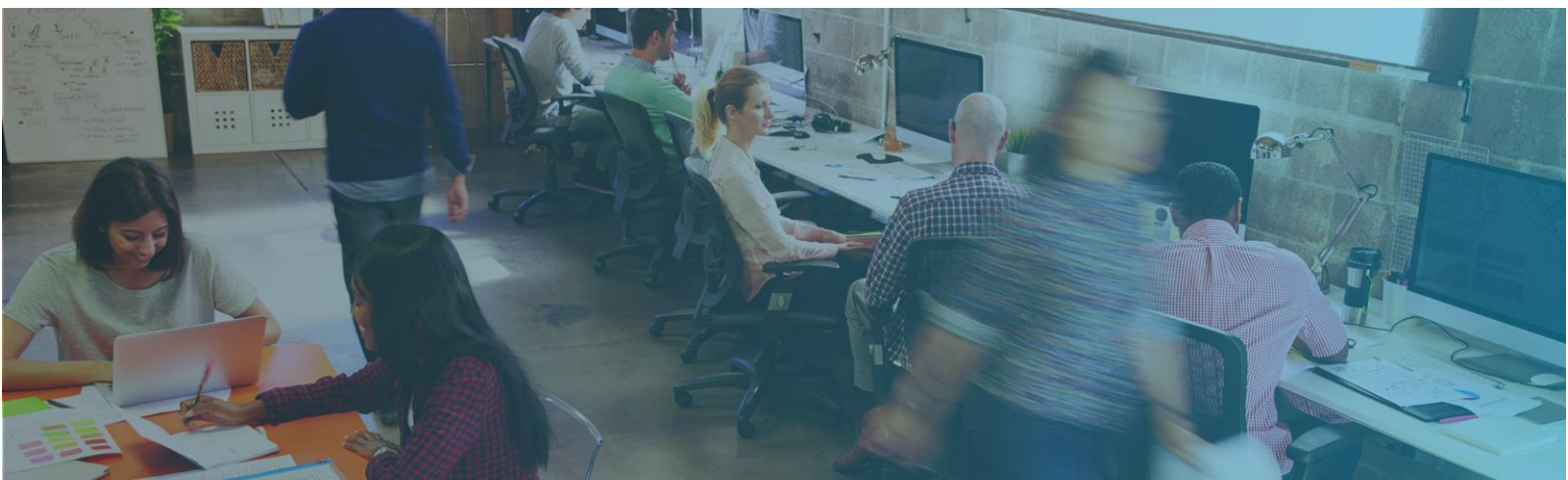
Agile organizations know how to tap into the intrinsic motivations of their team members. These include a

combination of meaningful forward-looking incentives and backward-looking rewards designed to complement each other. Thus, incentives drive today's behavior and rewards become tomorrow's incentives. Leaders must personalize both for each team member.

*"Most organizations use blunt instruments to motivate their staff... Business agility changes this."*

The inverse is also true. Organizations that claim to be "agile" but do not change their incentive and reward programs struggle to live up to their own goals. In the worst case, we ask team members to be agile but incentivize them to do exactly the opposite.

To help organizations on the journey, and to answer the question "How do leading agile organizations motivate, reward and incentivize their people", the Business Agility Institute brought together eight thought-leaders to share their insights and compile the best available research on the topic. We understand that creating a reward system to support business agility in large organizations is a complex task. This whitepaper will kickstart the conversation and we hope it will shed some light on the complexity involved. We want you to create a workforce that loves what they do and how they get to do it.



# THE AGILE WORKFORCE

## Why now?

The information revolution and the rise of the agile workforce is the largest disruption to business models since globalization. Team members are expecting more meaningful work and recognition from their employers. And organizations, wanting to attract the best talent, are trying to provide this. How we acknowledge our team members defines our culture and is an important factor in how people judge us as a potential employer. So, it is critical that reward programs support the culture and behaviors we are trying to promote in an agile work environment.

Leaders need to be able to communicate and show that they value team members, not only for what they do, but for who they are and what they can become. Before anything else, this requires a commonality of purpose, and an investment in their skills, capabilities, and efforts. Providing personalized development and career opportunities are today's cost of doing business in the future and move the conversation beyond financial incentives.

What is often misunderstood is that this is a two-way process. It's not enough for HR to develop an "agile" incentive program. Rather, you must democratize incentives and rewards. This means organizations need to be transparent with, and gain input from, team members on the programs being created and why. Both organizations and team members should be willing to look beyond bonuses to experiment and iterate around all aspects of motivation. Team members need to feel safe to call out toxic incentives while also working with the organization to improve them — don't mistake silence for satisfaction and motivation.

## HUMAN MOTIVATION

Personalizing and aligning corporate incentives and rewards to individual motivation is fundamental to the success of an agile organization. One of the most popular models of human motivation comes from Daniel Pink's book, 'Drive'. He noted people truly desire 3 key things to connect and move their work forward. They want Autonomy (ability to direct themselves and their work), Mastery (ability to learn and improve) and Purpose (the connection to a larger emotional and human-centric vision). If organizations can fulfill team members in those areas, then it will become a self-motivating and rewarding organization.

In addition to Pink's work, an interesting model is Steven Reiss' 16 Basic Desires Theory. Based on initial studies involving more than 6,000 people, Professor Steven Reiss proposed that nearly all human motivation can be individually modeled along a spectrum of 16 basic desires. These are;

- **Power** tells us whether an individual craves leadership or responsibility or would rather work in a service capacity.
- **Independence** reveals how a person forms their relationships regarding autonomy or in association with other people.
- **Curiosity** reveals the importance of 'knowledge' in a person's life, and why they want to acquire knowledge.
- **Acceptance** shows who, or what a person uses to construct a positive self-image.
- The strength of the basic desire of **Order** shows how much structure or flexibility a person needs in their life.
- **Saving** has its evolutionary origin in the storing of supplies. The strength of this basic desire shows how important it is emotionally for a person to have possessions.
- **Honor** reveals whether an individual seeks to remain true to their principles or is goal-oriented.
- **Idealism** considers the altruistic element of morality and reveals the importance of responsibility with respect to fairness and social justice.
- **Social Contact** shows the importance of social acquaintances. Here, the quantity of contacts is significant.
- **Family** reveals how strong the desire to care for others is (with regard to a person's own children).
- **Status** is the desire either to be 'conspicuously different' from others in an elitist sense, or to be ordinary and like everyone else.
- **Vengeance** is chiefly about comparing oneself to others. It includes on the one hand aggression and retaliation, and harmony and conflict-avoidance on the other.
- **Romance** reveals the importance of sensuality in an individual's life. Besides sex, this desire includes all other aspects of sensuality, e.g. design, art, and beauty.
- **Eating** seeks to determine the importance of eating in a person's life. How much does the pleasure of eating well contribute to a satisfying life?
- **Physical Activity** reveals the importance of physical activity (at work or playing sport) for a satisfying life.
- **Tranquility** can also be described as emotional stability. It identifies the importance of stable emotional relations for a satisfying life.

Organizations need to understand what motivational factors they would like to target and develop balanced initiatives that influence them in a positive way. With this, leaders (or team members themselves) can tailor programs that best align to an individual team member's motivation. Some of these desires (such as Acceptance) are simple to incorporate, while others (such as Honor) are much harder and require some creativity. As with all models, use this as a guide, along with your common sense, when designing your programs.

# PRINCIPLES

All organizations share the common goal of wanting to attract and retain the best talent. Though they may have different definitions of “best” (e.g. skills, leadership, collaboration, team-player, etc.) and apply different practices to achieve their goal, the key principles remain consistent.



- 1. People want Purpose:** No matter the type of organization, people want to connect with the purpose and goals of the enterprise. Incentives and rewards, when aligned with the vision rather than the work of the organization, can help that connection. Design reward programs to incentivize team members to create value and help others rather than chasing the reward for its own sake.
- 2. People want Fairness:** Humans have an intrinsic sense of fairness. Many studies have shown that people will reject individual gain if they perceive it to be unfair to the group. Yet, fairness is subjective. Transparent pay structures, indexed to published industry data, help to set a common ‘fairness’ baseline. Some organizations go even further and make individual salary data public (with the team member’s permission).
- 3. People want Transparency:** This goes together with fairness. The simpler and more transparent the salary system, the better the acceptance and employee experience. Managers can quickly address or avoid salary issues by clearly articulating how they made a salary decision. Agile organizations also take individual negotiation power out of the equation and assure equivalent pay levels for everyone within the same role; helping to address gender pay imbalance and other discriminatory trends. Finally, research shows that transparent salary systems increase retention levels and foster talent mobility within the organization.
- 4. People want to Develop:** The organization needs to facilitate continuous learning and the exchange of ideas, knowledge, and skills. Promotions are rarer in agile organizations as they generally have fewer hierarchical layers than their traditional counterparts. Thus, there are different incentives and rewards needed to recognize when people reach new skill ‘levels’.
- 5. People want Recognition:** To strengthen intrinsic motivation, each organization must find a suitable combination of low-frequency formal recognition with more-frequent, and intimate, personal acknowledgments. Peer-level, real-time, recognition is more meaningful and motivating than the traditional annual performance review. If there is a financial element to this recognition, be aware that it can strain team dynamics.
- 6. People want Compensation:** Behaviour follows compensation. When team members are under financial stress, only financial incentives will motivate them — often leading to suboptimal business decisions. Therefore, base pay needs to be reasonable and fair to the role and local cost of living. End Management-by-Objectives (MBO) based bonuses as they are toxic to an organization that thrives on collaboration and responsiveness and there is little evidence that they are effective. Instead, fair and transparent incentives, that honor collective performance and corporate success (for example, equity and profit-sharing plans), allow team members to financially participate in the achievements of the enterprise. Avoid incentives that might provide an undesired motivation for people to stay or interfere with the company’s need to move a team member out.
- 7. People want Consistency:** The delivery of incentives, rewards and recognition will not be effective unless there is alignment and consistency between individual teams, with corporate intent, and with HR. Misalignment will undermine the intentions and reality behind the reward approach. Team members need to have clarity on what the organization expects of them in order to receive an incentive or reward, with any decisions around ‘flexible incentives’ within their control.
- 8. People want Health and Happiness:** Organizations need to care about the happiness, health, and welfare of their people. We include both physical and mental health in this definition. Working in an agile environment isn’t always easy for some team members. The pressure of continuous delivery, continuous learning, and constantly adapting are examples of where stress levels and well-being can become issues. Happy and healthy needs to incorporate a supportive work environment with leaders fostering a psychologically safe environment. Even the best rewards will not sustain productivity and engagement over time if basic needs aren’t met.

These foundational principles are consistent with an agile work culture and underpin all the practices and approaches throughout this whitepaper.



## PRACTICES

Understanding these principles opens up many avenues beyond traditional incentive and reward programs. Your goal should be to build a portfolio of practices that leverage most of the basic desires. Organizations can achieve the desired employee-experience by combining various practices while remaining guided by individual needs and motivation preferences. Thus, allowing you to motivate any team member and align them towards a common corporate goal and culture.

Business leaders need to objectively look at existing programs and ask themselves “does this program promote or hinder an agile culture?”. If it is negative or neutral, we must ask ourselves why we are doing it and if we could replace it with something more effective.

And there are many incentive and reward practices available. Our research has highlighted the following as most common or effective in agile organizations. This is not an exhaustive list by any means. For the sake of clarity, we have clustered the practices under four, generally-accepted, pillars of the modern reward environment; Core Pay, Flexible Lifestyle Benefits, Career and Development, and Work Environment and Employee Experience. We need to stress that while we are providing a broad framework for clarity, the real new thinking is providing flexibility, innovation, honest feedback, and agility within these principles, pillars, and practices.

### CORE PAY

Core pay includes base pay and team-based variable pay — essentially all the cash elements.

**Transparent salary formula:** The simpler and more transparent the salary system, the better the acceptance, satisfaction, and retention levels. Elements to consider include; market value for the base role, experience, specialized skills, tenure and loyalty, and location-based cost of living. With salary formulas, there is no negotiation of base salaries. One of the best, public, examples of this is Buffer (<https://open.buffer.com/transparent-salaries/>)

Some organizations, such as Buffer, go further and publish salary data for each team member. An added benefit is that publishing salary data naturally corrects the gender wage-gap and related discriminatory trends.

It is important to note that the following reward and incentive practices are only effective when a team member feels financially secure. When the base salary is insufficient, only financial incentives are effective. Even then, team members will likely leave the organization for a higher paying role, no matter what else is on offer.

*Incentivizing or Rewarding: Improving skills and experience, Individual performance*

**Bonus or profit share:** Despite most research showing that financial bonuses have limited motivational value, they are still the most used tool. Bonuses and profit-sharing practices work best when they're truly about company performance and where everyone, regardless of team or individual performance, gets the same amount. As an aside, individuals driven primarily by Power may not perceive this as fair. In this case, it's better to let the team decide a fair distribution.

Depending on the regulatory environment, you can pay this as an additional contribution to the team member's pension/superannuation/401(k).

*Basic Desire: Power, Saving, Social Status*

*Incentivizing or Rewarding: Company results, Team results (same for all team members except by exception)*

## CAREER AND DEVELOPMENT

Organizations need to be able to customize and target individual growth and engagement so that team members gain a unique and tailored career with associated professional development.

**Development opportunities:** Access to more challenging or interesting initiatives can be a great motivator. But, to make it effective, these must align to an individual's professional goals and bring clear value to the organization. Unless it really is interesting and challenging, describing the next project as a “development opportunity” is condescending and obvious. Where possible, we recommend allowing individuals to design their own development opportunities.

*“Organizations need to develop a portfolio of incentive and reward initiatives targeting as many of these desires as reasonable.”*

Organizations may also give team members the chance to hone new skills by contributing to social or charity projects. Once again, these opportunities should align with their interests and the company's values. For example, Patagonia hires social activists which is a key aspect of their brand, hence they give people 2 days a month off as Social Justice Days. It is not a quid-pro-quo reward. The expectation is that they behave as social activists and hence they get the “reward” for it.

*Basic Desire: Acceptance, Curiosity, Honor, Idealism, Power*

*Incentivizing or Rewarding: Improving skills and experience, Individual performance, Exhibition of company values, Career and development aspirations*

**Growth and Promotion:** While still a valuable incentive, promotions are rarer in agile organizations as they have fewer managers and hierarchical levels than traditional organizations. The tactic here is to understand that a

promotion doesn't always have to correspond with a management role. In an agile organization, promotion equals competence development. Being promoted to a Senior Engineer demonstrates that you have developed new skills and can take on more responsibilities but doesn't mean that you must lead a team. This is especially important if the teams are self-managing and thus don't need a manager.

*Basic Desire: Acceptance, Curiosity, Independence, Power, Saving, Social Status*

*Incentivizing or Rewarding: Improving skills and experience, Individual performance*

**Education and training:** Team members will develop skills beyond their "job description" if provided access to extra education and training. This may include funding university courses, sending team members to external training, encouraging site visits to clients or competitors, or providing subscriptions to journals or institutions.

*Basic Desire: Curiosity, Independence, Power, Social Status*

*Incentivizing or Rewarding: Improving skills and experience, Loyalty and retention, Innovation, Wider needs and motivations of individuals, Career and development aspirations*

## FLEXIBLE LIFESTYLE BENEFITS

These are benefits of value to the individual ranging from pensions to health insurance to flexible working arrangements to leave. Where possible, individualize these within a common range of options.

**Additional benefits:** Your country, state, or city may mandate (or recommend) some employment benefits — for example, long service leave, health insurance or superannuation/pension/401(k). Do not treat these as incentives or rewards; but rather a baseline of employment.

Organizations can supplement these mandatory benefits, for example;

- Additional pension/superannuation/401(k) contributions
- Additional parental leave
- Additional (or unlimited) leave
- Additional healthcare benefits
- Flexible working hours
- Flexible Lifestyle Benefits (this does not mean having snacks, ergonomic seats, and yoga — but it can if those are the basic desires you are trying to target)

*Basic Desire: Eating, Family, Physical Activity, Saving, Social Contact, Tranquility*

*Incentivizing or Rewarding: Loyalty and retention, Effort and input, Wider needs and motivations of individuals*

## WORK ENVIRONMENT AND EMPLOYEE EXPERIENCE

The work environment and employee experience pillar incorporates any other incentive or reward offer; e.g. a recognition-based work environment, collaborative work culture based on agile principles, etc. The goal is to build as many motivators into the work environment as possible to cater to diverse needs. After all, we cannot change people, only the system.

**Recognition:** Everyone wants to feel valued and respected. Frequent and timely recognition of an individual's or team's success is the largest single motivator across all these practices. Recognition is more than a performance review at the end of the year. We want to emphasize everyday excellence by encouraging on the spot recognition, celebrating when someone goes above and beyond, and putting the power of recognition in everyone's hands; from leaders to line-managers to peers. We also want to reward those that develop a work-life balance and are able to keep others from having to go above and beyond. Those that are looking to create a steady maintainable state by innovating and creating better systems.

Organizations can support recognition by providing a budget (with no extra approvals required) to managers. Managers can use these funds to provide small tokens; a thank-you card, small gifts, or a donation to charity in the name of the awarded team member.

*Basic Desire: Acceptance, Idealism, Social Contact, Social Status*

*Incentivizing or Rewarding: Individual performance, Everyday excellence, Innovation, Teamwork and collaboration, Exhibition of company values*

**Public recognition:** Publicly recognize team members for the great work they are doing. For example, encourage them to speak at public conferences, associate their name with work, provide them with internal awards to publish on LinkedIn, etc.

*Basic Desire: Acceptance, Social Contact, Social Status*

*Incentivizing or Rewarding: Improving skills and experience, Team results, Individual performance*

**Gift:** Research shows that providing a meaningful gift is a greater motivator than a bonus of equal value. Some examples include; family outings, a company holiday (for team members and their families), or a work retreat (bring your laptop and work on a beach). Even small tokens (such as a nice bag or watch) show that you value each team member.

*Basic Desire: Eating, Family, Physical Activity, Social Contact*

*Incentivizing or Rewarding: Company results, Team results*

## CONCLUSION

This whitepaper is a research-based contribution to the ongoing and important conversation around incentives and rewards within the agile community. The intent is to support the creation of an agile working culture in a more credible and authentic way.

When designing incentives and rewards, organizations need to tap into and harness a team member's intrinsic motivation. Building on the fundamental principles within this whitepaper will make incentives and rewards human, natural and motivational rather than corporate or process driven.

The design and delivery of incentives and rewards is both an art and a science; so context is critical for each organization. As such, while we are highlighting specific practices, we are not recommending generic solutions that work for everyone. Rather we are providing some ideas and exposing the key areas of inquiry needed for readers to find the right balance for their organization.

## CONTRIBUTORS

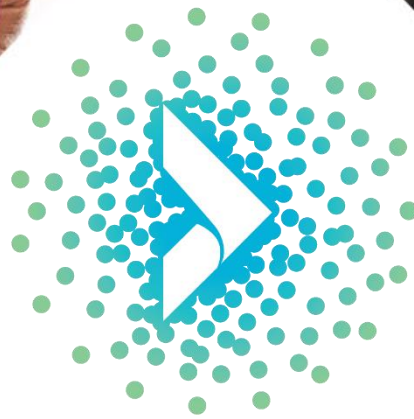
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