



# Incentives & Consequences:

**Are you setting your team up for success?**



BY KATE ZABRISKIE



“They want us to give great service, but they reduce our bonus if our calls go longer than three minutes. I’m not going to lie; **I start talking faster at the 90-second mark.**”

“She asked me to suggest ideas, so I did. I now have a bunch of extra work to do. It’s the last time I’m opening my mouth. **I didn’t realize offering an idea meant signing up to execute it.**”

“We’re supposed to be polite, but most people aren’t. Nobody does anything about it. I guess that’s how business goes around here. **I don’t know why I keep trying.**”

Incentives and consequences have power. Are you motivating the right behavior, or are you encouraging people to act in ways you don’t want? Misguided incentives or misaligned consequences have a huge downside—but the good news is that with a careful thinking, you can avoid missteps.

### THE DOWNSIDE OF MISGUIDED INCENTIVES

**Short-term focus.** In many cases, businesses with misguided incentives prioritize short-term gains over long-term sustainability. Employees who are only rewarded for immediate financial results or quick wins may overlook the importance of investing in innovation, customer satisfaction, and employee development. This narrow focus can limit the organization’s ability to adapt to changing market conditions and remain sustainable. Do you focus only on here and now, or do your incentives and consequences take the long term into account?

**Unethical behavior.** Misaligned incentives can lead to unethical behavior within an organization. Employees who are rewarded for meeting targets, for example, may resort to aggressive tactics, dishonesty, or cutting corners. This undermines trust, harms the company’s reputation, and puts it at risk of legal and regulatory consequences. What kind of ethics do your incentives encourage?

**Silo mentality.** Incentives designed without considering the broader impact on different departments or teams can foster a silo mentality. When employees are rewarded based on individual performance metrics, collaboration and knowledge-sharing may suffer. This lack of cooperation can stifle innovation, impede problem-solving, and limit overall organizational effectiveness. Do your incentives and consequences encourage hoarding and silos, or do they promote information-sharing and collaboration?

**Demotivation and disengagement.** Incentives that are meaningless can demotivate employees and create a sense of disengagement. Employees may lose intrinsic motivation and become disillusioned if the rewards do not align with their values, interests, or aspirations, which can result in decreased productivity, higher turnover rates, and a general decline in morale. Do your employees care about the rewards or consequences you have in place?

**Tunnel vision.** Employees may develop tunnel vision when incentives are narrowly focused on a single metric or objective, ignoring other critical aspects of their roles. In the end, the choices these employees make will most likely lead to customer dissatisfaction and reputational harm.



## BUILDING EFFECTIVE INCENTIVE STRUCTURES

A strong system that is aligned with goals and values and applied consistently is the best offense and defense an organization can play.

**Align with long-term goals.** Think about what matters. For example, if a department is focused on customer satisfaction, incentives should support those results. Additionally, there should be consequences to address employee behaviors that negatively affect retention and satisfaction. For instance, employees who are rushing interactions shouldn't be rewarded, and ideally, managers should address the behavior.

**Foster ethical standards.** When people do the right thing, they should receive recognition. When the opposite occurs, management must act quickly to coach and correct, or cut ties if the first two approaches don't align the employee's behavior with the organization's goals.

When designing incentives, promote both individual achievements and collective success, encouraging employees to collaborate and share knowledge.

When unethical behavior is ignored, an aggressive cancer can develop. Left unchecked, what's wrong can quickly become what's normal.

### **Balance individual and team goals.**

Strike a balance between individual performance and team collaboration. When designing incentives, promote both individual achievements and collective success, encouraging employees to collaborate and share knowledge. Additionally, think about consequences. How will you handle those who hoard and fail to think about the group's success?

**Evaluate and adapt.** Continuously review and evaluate the effects of your choices. Solicit feedback from employees,

monitor unintended consequences, and make necessary adjustments to ensure incentives remain relevant and aligned with evolving organizational goals.

## CONCLUSIONS

Incentives and consequences are powerful tools that can shape employee behavior and drive business outcomes. When designed and implemented correctly, incentives can fuel productivity, innovation, customer service, and sales. Furthermore, carefully chosen consequences can mean the difference between the right choice and the wrong one. 📌

*Kate Zabriskie is the president of Business Training Works, a talent development firm.*