



**Sydney Morning Herald**  
**Saturday 6/02/2010**

Page: 3  
 Section: Careers  
 Region: Sydney, AU  
 Circulation: 208210  
 Type: Capital City Daily  
 Size: 395.55 sq.cms.



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INCENTIVES

# Money's too trite to mention

**Marcella Bidinost** discovers cash bonuses don't always drive performance.

**I**n an effort to stay interested in his work, Jason Smith\* pitched some new ideas to his bosses that would benefit the company and his desire to stick with his job.

But when his employers said they weren't ready for change, to compensate for Smith's unused idea – plus his disappointment and overall dissatisfaction with work – management offered him \$500 to boost his morale, which could be read as: to keep him quiet.

"The money did nothing to help my mood," Smith says. "Rather, it felt like a kick in the teeth and, since then, I've been on the hunt for a new job."

Smith's case echoes what much behavioural and clinical research highlights: that cash doesn't necessarily drive performance. But that's not to say pay rises don't matter.

"Providing an employee a high level of base pay does more to boost performance and organisational commitment than an attractive bonus structure," says career analyst Daniel Pink, whose latest book, *Drive*, focuses on the science of motivation.

"The best use of money is to take the issue of money off the table ... effective organisations compensate people in amounts and in ways that allow individuals to mostly forget about

compensation and instead focus on the work itself."

Dominic Toledo, the general manager of The MINT Organisation, which specialises in workplace performance-improvement programs, adds: "By far, the key driver of performance at work is having an emotional commitment to what you do.

"The simplified rationale is this: emotions come from the right side of the brain; money – a very

logical, numerical concept – is processed by the rational left side of the brain."

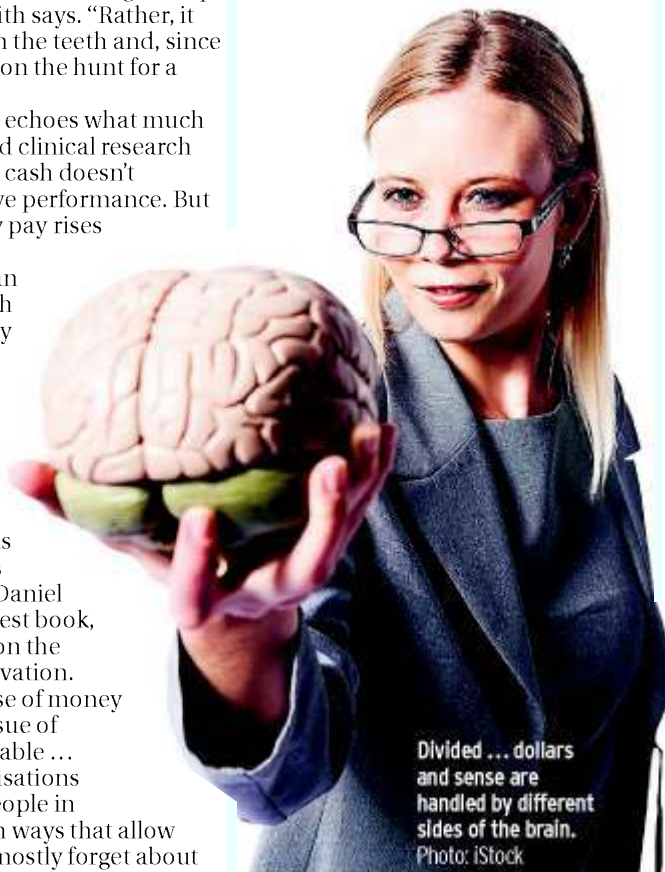
Studies of people who have received cash rewards (including store cards) find cash simply isn't as memorable as "an experience".

The chief "experience" officer at RedBalloon Days, Naomi Simson, says meeting people's needs for belonging, acceptance, self-esteem and feeling good is more important than cash. She should know: her company was elected one of Australia's five Hewitt Best Employers in 2009.

"People receive more enduring pleasure and satisfaction from investing in life experiences than material possessions," she says, adding that managers need to lead "with their people", understanding who they manage, offering authentic praise for their specific contributions and giving people great things to look forward to.

Surveys have found cash bonuses usually disappear on bills and necessities and they're more difficult to visualise than, say, a holiday or a new set of golf clubs – and they're often perceived as a salary bonus, which can set people up for disappointment if they don't get one next time round. And if cash rewards are only offered annually, how are companies keeping staff engaged throughout the year?

"Cash has a face value which cannot be hidden," the managing director at marketing incentives company Motive8, Angela Dillon, says. "The recipient knows exactly in dollars and cents what value you place on them or their achievement.



Divided ... dollars and sense are handled by different sides of the brain.  
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And it's an unemotional reward.

"While most people will state a strong preference for cash, what they say and what they actually work hardest to receive does not always match up. Research has shown they will be more motivated to perform better if they are working towards a lifestyle reward they wouldn't ordinarily purchase for themselves."

American management scholar Henry Mintzberg suggests a strong solution to what he sees as the problem of bonuses, particularly those given regularly and

unquestioningly to executives: don't trim or tweak them, get rid of them altogether.

Mintzberg says the problem with executive bonus rewards "isn't that they are poorly designed; the problem is that they exist" and often in ways where senior managers are rewarded whether they succeed or not.

Mintzberg also highlights the fault in giving bonuses purely based on a company's financial success. He describes this barometer as "a convenient substitute used by disconnected executives who don't

know what else to do – including how to manage more deeply".

"As an executive, if you want a bonus, buy the stock like everyone else.

"Bet on your company for real, personally," he says.

\*Not his real name

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