

Why Most Employee Incentives Don't Motivate

By Dave Luehr | 29 September 2020

A lot of shop owners have reached out to me recently inquiring about ways to create a better incentive program. When asked what they are hoping to accomplish by unveiling a new incentive or “bonus” system, they respond that they want to get their people more motivated.

Many shops are wising up and moving away from commission systems that promote silo efficiency and moving towards more modern pay plans designed to get people working in a more team-like fashion. Unfortunately, many shop owners are not cognizant of the employee behaviors they are rewarding with their pay plans.

Let's Look at An Example

Once upon a time, I worked for a body shop owner who approached me about creating a new admin employee bonus program for his company. “What is wrong with the bonus program you have now?” I asked. He told me, “I don't know for sure, but every time someone doesn't make bonus, they are ticked off at me!” Then he confided, “If the estimators come close to meeting their sales and CSI objectives [not fully met], I usually give them some money anyway as a kind gesture. I want my people to be happy, but they still don't seem to appreciate it.”

After spending considerable time interviewing the employees of this sizable MSO, there were several things I discovered:

- Almost every admin employee had a slightly different bonus plan than the next guy or gal.
- Many employees said they had given up trying to reach the benchmarks and felt they were set too high.
- All admin employees felt that they didn't have enough control over the factors leading to their bonuses, thereby making it “unfair.”
- Most employees complained that company leadership changed their bonus plans often, sometimes two or three times a year. Some employees said they felt like the bonus plans would change whenever it was convenient for the company to “bilk” them out of their money.
- Employees acknowledged that the bonus plans caused motivational silos which caused them to sometimes perform well at things they are being measured for, but poorly at those that were not being measured.
- When asked, most of the employees said that their bonus plan was more of a DE-motivator than a motivator.

So, it seems the boss was right! The employees were not only unappreciative of his “kind” gestures, many were absolutely fed-up and ready to look for another job! How could something intended to motivate the employees have the complete opposite effect? With so many problems in play, it was difficult to determine which employee complaints were justified and which were just lazy employees looking for an excuse. Either way, it was clear the current admin bonus plan was creating the lion's share of the discontent.

What's wrong with most plans?

I too have been guilty of creating bad bonus plans over the years. All with good intent, but with poor results. Here are several factors that, after years of trial and error, I have discovered most shop owners get wrong – including ones the boss mentioned in the preceding story.

- Employee bonuses make up too large a percentage of overall wages. Meaning if employees don't make bonus requirements, they don't have enough money to pay their bills.
- Due to a lack of clarity and written agreements, many employees feel that management is not paying them what they agreed upon when hired.
- Management creates benchmarks for people to reach without considering market fluctuations and unforeseen circumstances.
- Management holds people accountable and incentivizes people only on end results such as outcome KPIs.
- Management jeopardizes the whole system by breaking the rules and giving out partial bonuses to key people.

Even though the boss did several things wrong, I bet many pieces of his bonus program closely resembles those found in many collision businesses in this country. In fact, it is not just our industry that makes these mistakes. Results-based bonus programs are extremely popular in most industries because on the surface they seem to be fair and just. Who could find fault with a system that is as old as time and pays people based on the results they produce? Well... millions of people who simply want to be paid what they are worth, without all the confusion and drama!

The Desired Outcome

We must ask ourselves, what are we trying to accomplish by offering a cash-based incentive program? What is the goal? Although there could be many goals, most would list the following two most basic and worthy goals:

1. Motivate the employees to get results (KPIs, Sales, etc.).
2. Attract and retain good people.

If these are your goals as collision shop leaders, are you happy with the results your bonus program is contributing towards reaching these goals? If so, congratulations! Everyone else may want to read on.

Solution #1 – Become Process Driven

What behaviors are we really trying to influence?

If the goal is to produce good results, then management needs to look at the individual tasks that make up the processes. If a shop has crummy processes, then wouldn't it be unfair to hold people accountable for the results produced? Since it is the individual tasks of the process that determine the outcome's success or failure, then individual task execution should be where management looks closely for the vital behaviors to take place. Let me give you an example.

[Blueprinting a vehicle](#) is a very important process to achieving desired results. If people fail at Blueprinting, there is a good chance that CSI and cycle time metrics could suffer. The guy doing the Blueprinting probably knows this fact whether or not you are giving him a bonus. The question is this:

does the guy doing the Blueprinting know what specific tasks are involved to ensure a consistently accurate repair plan? What vital behaviors does he need to execute? Here is a list of possible vital behaviors...

1. Review vehicle check-in sheet
2. 100% meticulous disassembly
3. Photo documentation
4. Separate good parts from bad parts on table
5. Use group sequenced arrow down method in estimating system
6. Load parts cart, separating good/bad parts
7. Verify Blueprint accuracy on printed estimate to repair
8. Go over completed Blueprint with technician

If the Blueprint guy properly follows these eight steps, one can expect a consistent, quality standard every time. So, if management wants to incentivize him and change his behavior for the better, they would want to tie these eight specific tasks to his incentive, not some outcome he has limited control over like cycle time or CSI. Yes, he has some control over cycle time and CSI, but he has ALL the control over following the proper process in Blueprint. Use your own creativity: what would you do to ensure that all the vital behaviors of Blueprinting were being followed? What could you do to reward him or her?

Solution #2 – Identify What Actually Drives Motivation

What is truly important to our employees?

The reason most bonus plans stink is because they actually DE-motivate the staff! In Daniel Pink's book, [DRIVE](#), he states, "The best use of money as a motivator is to pay people enough to take the issue of money off the table." Daniel then goes on to say, "But once we've cleared the table, carrots and sticks can achieve precisely the opposite of their intended aims." Daniel is right. In fact, scientific studies have revealed that using rewards expecting to increase another person's motivation and change behavior, they often incur the hidden cost of undermining that person's intrinsic motivation toward the activity.

This undermining of motivation is severely compounded when management gives employees a bonus for routine work then takes it away from them later while performing the same work. This causes the employee that once was happy to perform his job at his regular pay to now be discouraged and unappreciated performing the same job.

So, what can leaders do to motivate employees? From the dozens of studies I have read, there is one important thing that appears on every list. People want to be RELEVANT. Everybody wants to feel that what he or she is doing will make a difference. If leaders want to have a motivated work force, start there!

There will never be an incentive program that can make up for the lack of proper management and leadership! In other words, throwing money at a motivational problem will never be a good replacement for bad leadership.

Look Beyond the Obvious

There are many ways to connect to employees' intrinsic needs and thereby motivate them. Here are a few tips to get your started...

- Give small tokens of appreciation such as \$10.00 gift cards for properly following key processes.
- Make the workplace a safe environment for everyone to contribute their opinions and ideas freely. This will help people become relevant.
- Read leadership books and learn modern leadership and influence techniques.
- Leaders need to listen to people intently. A good coach listens and asks questions more than barking out orders.
- Praise work being done correctly more often than one may think necessary.
- Correct those that violate the company's values.
- Make relevance more important than monetary rewards.
- Consider re-evaluating bonus plans to be more in-line with employee values and critical processes, or just eliminate them altogether and pay people what they are worth.
- If you insist on a bonus system, make sure the bonus is 10% or less of overall wages.

Many readers may not like or agree with these “soft skills” being used in place of the old dependable bonus plans they are used to, but we are not living in the old days any longer. When holding on to these antiquated ideas, it is easy to see why many in our industry have difficulty understanding the new generation of worker and what truly motivates them. When leadership does not provide the employee with what they are truly hungry for intrinsically, eventually it *will* become “all about the money” for them.

As Daniel Pink pointed out, “The best use of money as a motivator is to pay people enough to take the issue of money off the table.” This article is rooted in behavioral sciences that are factual – not merely my opinion. However, it is my opinion that the era of the iron-fisted manager is nearing its end. Those that embrace modern leadership skills are most likely to prevail.

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