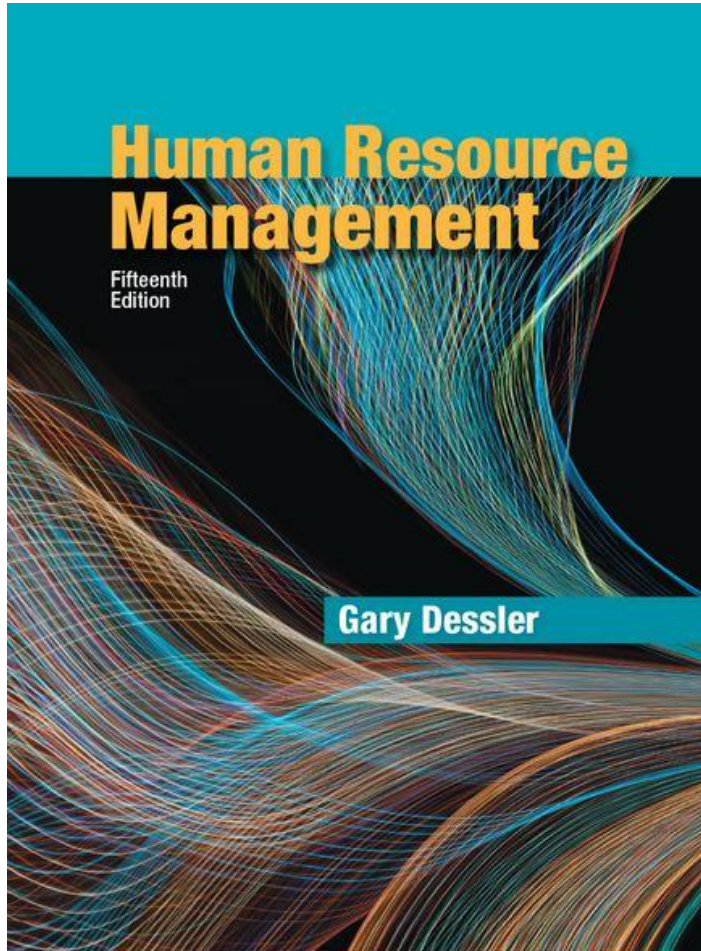


# Human Resource Management

Fifteenth Edition



## Chapter 12

### Pay for Performance and Financial Incentives

# Learning Objectives (1 of 2)

- 12-1. Explain how you would apply four motivation theories in formulating an incentive plan.
- 12-2. Discuss the main incentives for individual employees.
- 12-3. Discuss the pros and cons of commissions versus straight pay for salespeople.



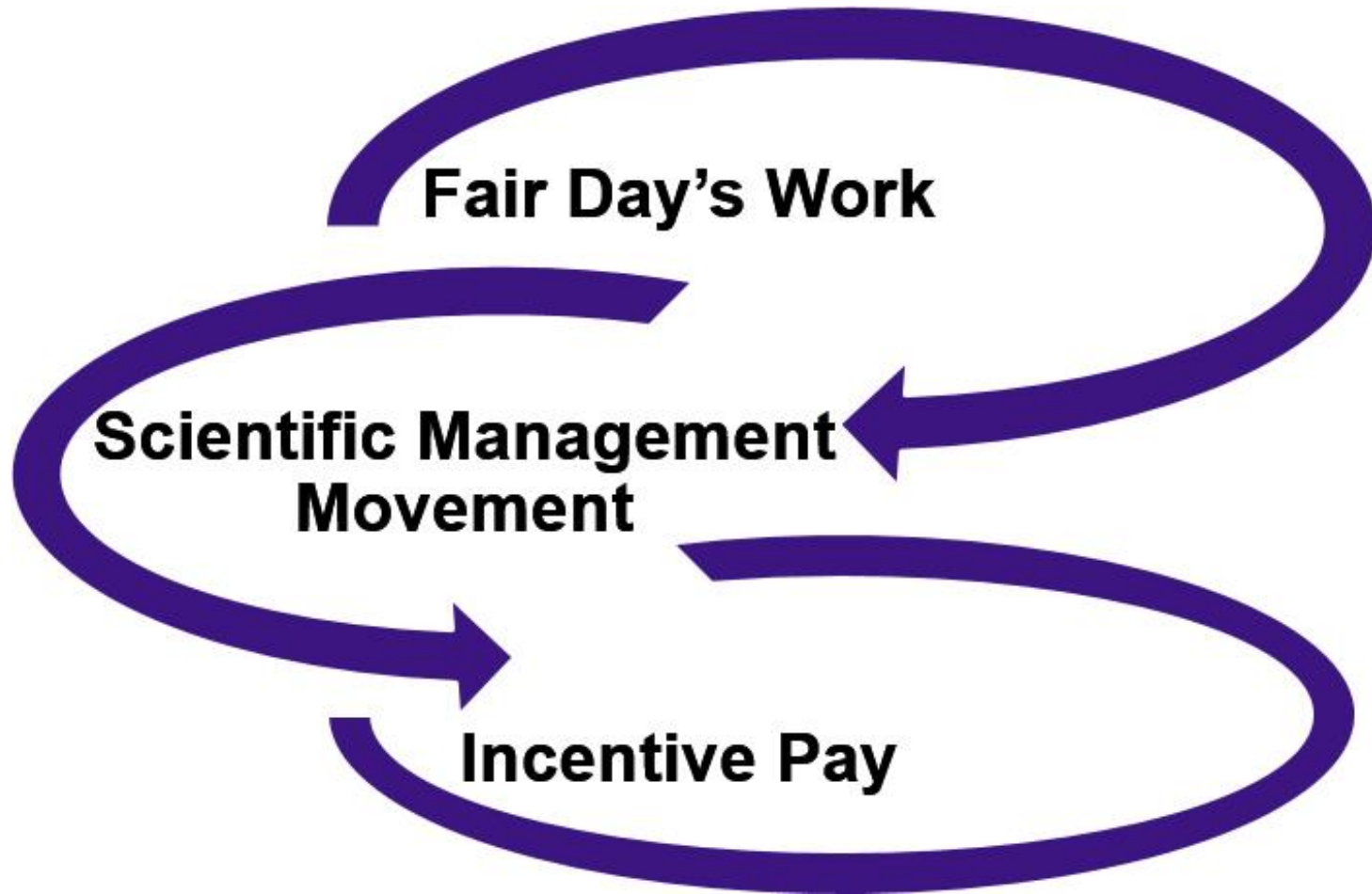
# Learning Objectives (2 of 2)

- 12-4. Describe the main incentives for managers and executives.
- 12-5. Name and describe the most popular organization-wide incentive plans.
- 12-6. Explain how to use incentives to improve employee engagement.

I.

**Explain how you would apply  
four motivation theories in  
formulating an incentive plan.**

# Money and Motivation

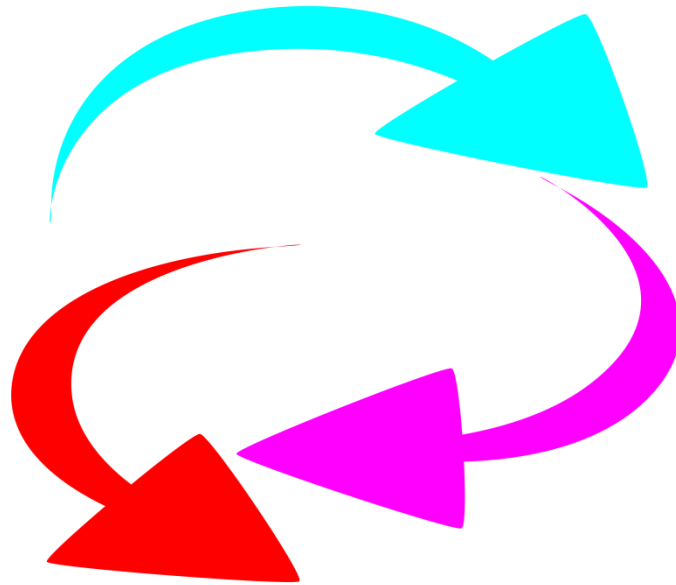


# Incentive Pay Terminology

- Pay-for Performance
- Variable Pay
- Profit Sharing



# Linking Strategy, Performance, and Incentive Pay



# Motivation and Incentives

Theories that have **relevance** to designing incentive plans

- Motivators and Fredrick Herzberg
- Demotivators and Edward Deci
- Expectancy Theory and Victory Vroom
- Behavior Modification / Reinforcement and B.F. Skinner

# Know Your Employment Law

## Employee Incentives and the Law

Let's take a look...

**II.**

**Discuss the main incentives for individual employees.**

# Individual Employee Incentive and Recognition Programs

- Piecework plans
  - Straight piecework
  - Standard hour plans
  - Pros and Cons

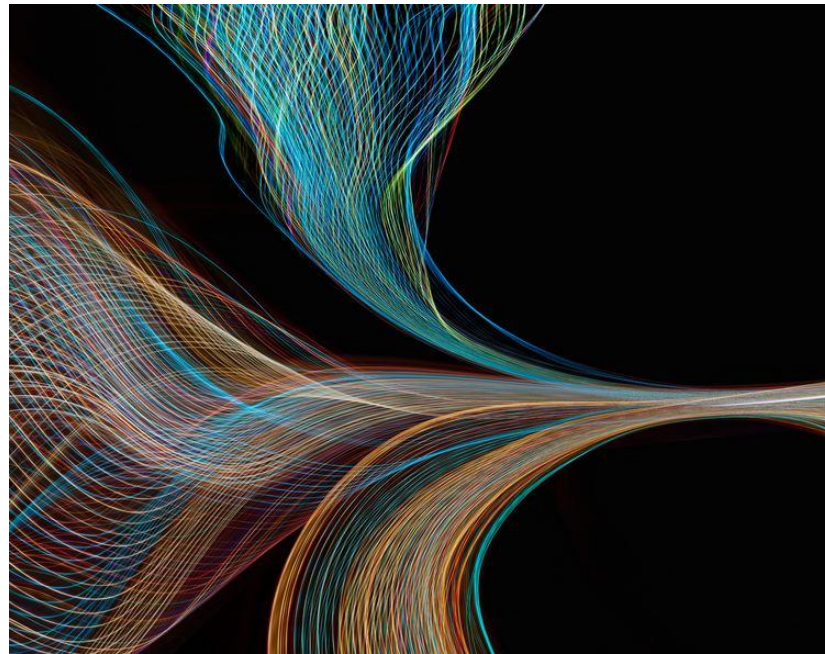


# Merit Pay as an Incentive

- Merit pay as an incentive
  - Differential pay increases
  - Merit pay options



# Incentive for Professional Employees



# Non-financial and Recognition-Base Awards

- Social Recognition
- Performance Feedback



# Trends Shaping HR: Digital and Social Media (1 of 2)

## Recognition Programs

Let's take a look...

# Improving Performance: HR Tools for Line Managers and Small Businesses

## Financial Incentives for Motivation

Let's talk about it...

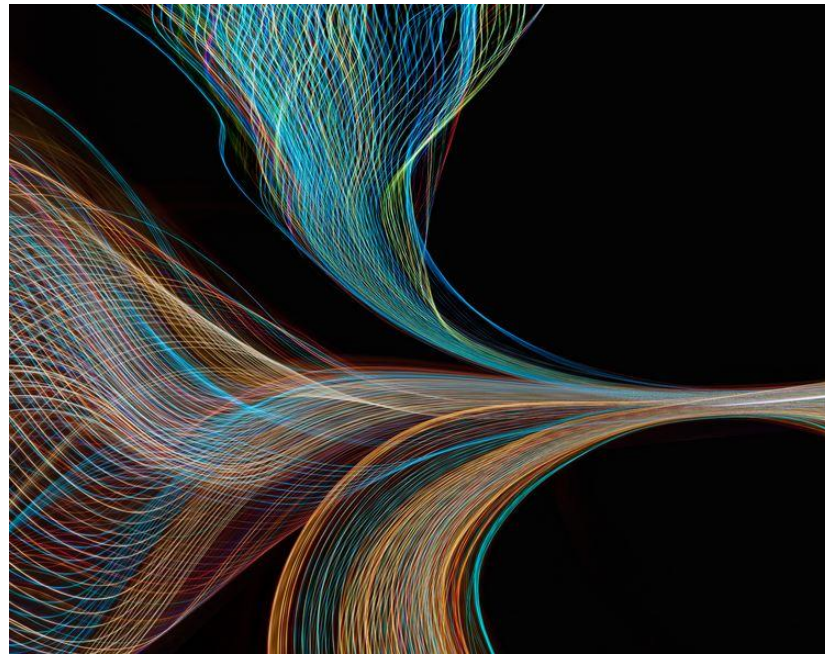
# List of Recognition

## FIGURE 12-1 Social Recognition and Related Positive Reinforcement Managers Can Use

- Challenging work assignments
- Freedom to choose own work activity
- Having fun built into work
- More of preferred task
- Role as boss's stand-in when he or she is away
- Role in presentations to top management
- Job rotation
- Encouragement of learning and continuous improvement
- Being provided with ample encouragement
- Being allowed to set own goals
- Compliments
- Expression of appreciation in front of others
- Note of thanks
- Employee-of-the-month award
- Special commendation
- Bigger desk
- Bigger office or cubicle

Source: Based on Bob Nelson, *1001 Ways to Reward Employees* (New York: Workman Pub, 1994), p. 19; Sunny C. L. Fong and Margaret A. Shaffer, "The Dimensionality and Determinants of Pay Satisfaction: A Cross-Cultural Investigation of a Group Incentive Plan," *International Journal of Human Resource Management* 14, no. 4 (June 2003), p. 559 (22).

# Job Design



# Improving Performance: The Strategic Context

## The Fast-Food Chain

Let's talk about it...

### III.

**Discuss the pros and cons of commissions versus straight pay for salespeople.**

# Incentives for Salespeople

1. Align how to measure and reward
2. Align with Strategic Goals

SALES  
SALES  
SALES

# Types of Sales Incentive Plans

1. Salary plan
2. Commission plan
3. Combination plan

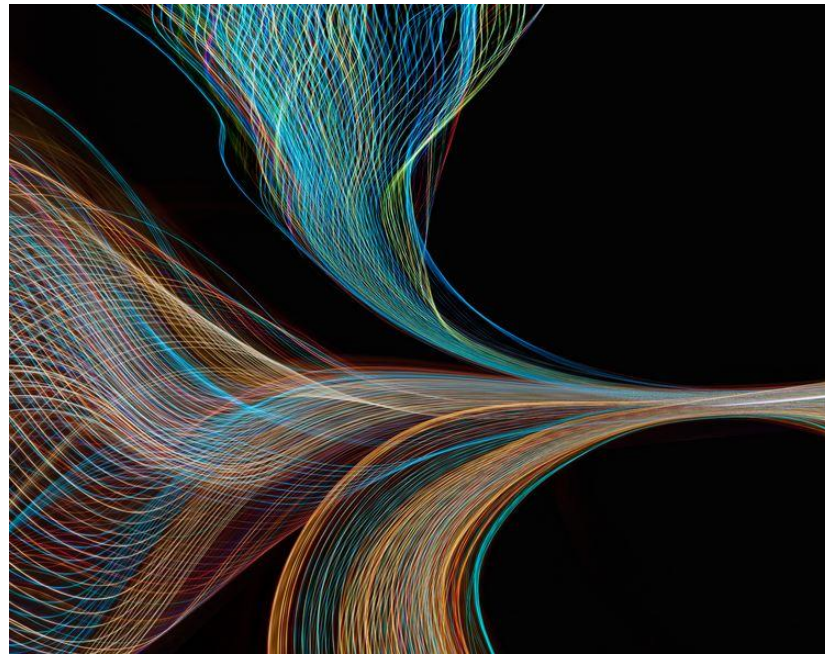


# Maximizing Sales Force Results

- Set Effective Quotas
- Distinguish Among Performers



# Sales Incentives in Action



# Trends Shaping HR: Digital and Social Media (2 of 2)

## Commission Sales

Let's take a look...

# IV.

**Describe the main incentives for managers and executives.**

# Incentives for Managers and Executives

- Short-term Incentives
- Long-term incentives



# Strategy and the Executive's Long-Term and Total Rewards Package

- Sarbanes-Oxley Act
- Short-term incentives and the Annual bonus
  - Eligibility
  - Fund size
  - Individual awards
  - Stock options
  - Ethics

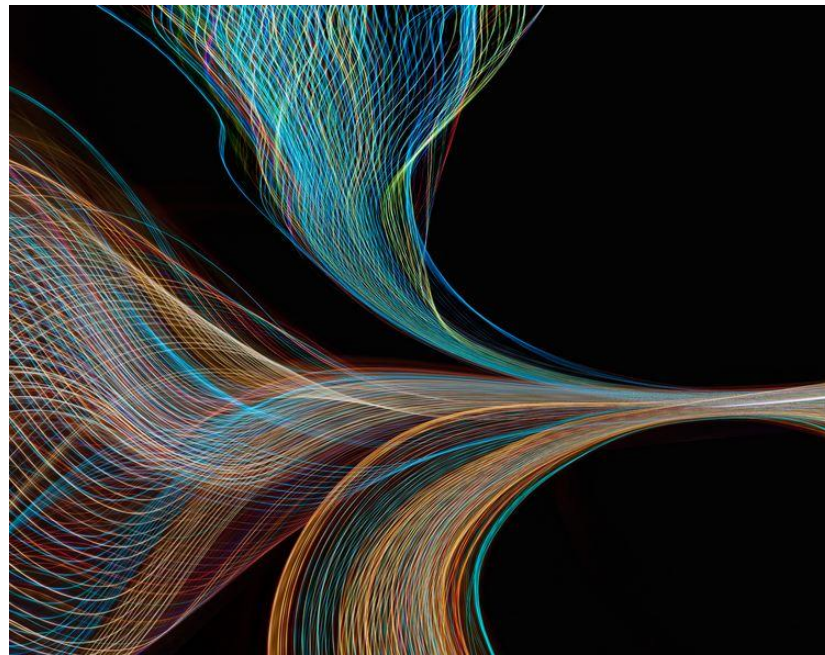
**BONUS**

# Improving Performance: HR Practices Around the Globe

## International HR – Stock options

Let's talk about it...

# Some Other Executive Incentives



**V.**

**Name and describe the most popular organization-wide incentive plans.**

# Team and Organization-Wide Incentive Plans (1 of 2)

- How Designing Team Incentives
- Evidence-Based HR: Inequities That Undercut Team Incentives



# Organizational – Wide Plans

- Profit-sharing plans
- Scanlon plans
- Other Gainsharing Plans
- At-Risk Pay Plans
- Employee Stock Ownership Plans



# Team and Organization-Wide Incentive Plans (2 of 2)

- Profit-sharing plans
- Scanlon plans
- Other gain-sharing plans
- At-risk pay plans
- Employee stock ownership plans

# Incentive Plans in Practice: Nucor

- The production incentive plan at Nucor steel also has a:
  - Department manager incentive plan
  - Professional and clerical bonus plan
  - Senior officer incentive plan

**V.**

**Explain how to use incentives  
to improve employee  
engagement.**

# Employee Engagement Guide for Managers

- Incentives and Engagement
  - Measure the extent to which supervisors are encouraging their subordinates to be engaged
  - Use incentives to reward supervisors for improving employee engagement

# Chapter 12 Review

**What you should now know....**

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