



The perils of rewarding for outcomes

Being results-focused can inhibit your company's performance

Have you ever been caught in the trap of using the words “performance” and “results” interchangeably? The distinction between the two is important to consider if you want to get the best out of both. It's pretty simple, actually. Results are the outcomes you produce and performance is how you get there.

However, here's something you may not have considered. In fact, it might even seem counterintuitive. If you're focused mainly on bottom line results in what you measure and reward, that will eventually lead to the deterioration of both performance and results. Here's why.

Outcomes vs. inputs

First, we all know that people tend to repeat behaviors that are reinforced positively. Likewise, people tend not to repeat behaviors that produce a negative response. Next, it's important to realize that no one has direct control over results — unless the game is fixed or there's a deliberately unfair advantage. People can only control performance.

Now, if bad performance always led to bad results, and good performance always led to good results, it wouldn't matter which one you rewarded — results or performance. But that's not always how things work. Sometimes you don't get good results even when you give your best effort. Other times, the opposite is true.

That's not how things usually happen, but look at what you get when they do. If you fail to reward people for good performance because they had bad results, you discourage them from repeating the good behavior. If you reward them for good results in spite of poor performance, you reinforce poor behavior in the future. The cumulative effect over time is inevitable. Every time you focus on results in a way that either reinforces poor performance or discourages good performance, you take a step backward with long-term results.

Performance is the bottom line

Of course, you have to add up the numbers on the bottom line eventually. Even if winning in the world of business means producing results, lasting success still requires focusing on the drivers of those results, and it's important to reward effective execution regardless of the outcomes in the short term. Think of it this way: Winning is the name of the game, but performance is the bottom line.

Clearly, if effective execution isn't producing the desired long-term results, you need to find the problem. It serves no purpose, however, to penalize people for poor outcomes if they're doing the right things in the right way at the right time. If that happens, you need to fix the strategies or systems, not the people. Otherwise, you'll



destroy trust in your organization.

That premise has particular significance for managers in the “people” side of the business. For HR professionals, it's pretty obvious. Some compensation and bonus programs are notorious for focusing solely on immediate, bottom line results without regard to how they're produced. That kind of practice often leads to short-term success with negative long-term consequences. Good programs encourage performance that looks at the long haul.

You have to communicate effectively about the steps to success. If it's results you're after, you'd better be talking a lot more about what it takes to produce them, because in the end, it's how you get there that counts. ●

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