

# CUTTINGS...

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Compiled and edited by Geof Cox

A couple of subjects that are forever being raised in my leadership workshops - performance related pay and matrix structures.

On the former - some more research that adds to the weight of argument and experience that suggests that financial bonuses do not work and actually cause lower productivity. And on matrix structures, some feedback from one of the leading global consultancies that most companies push the complexity of the matrix too far down the organisation where it does not add value, just cost and confusion.

Enjoy...

*Geof Cox*

**RIP Nico Swaan** - as I go to print, news has come to me that Nico Swaan passed away last week. Many of the readers of this newsletter will have been touched by him, as I have been. He was a great teacher, mentor, colleague and friend and will be sorely missed.

## A bonus culture can be corrosive

Whether it is the large packages given to CEOs for strong company performances, bonuses given to sales people for obtaining new leads, or bonuses given to workers who hit all their KPIs, bonuses are widely used to motivate employees and are supposed to encourage hard work, increase employees' identification with a company and align them with its operational objectives and ethos. However, in numerous studies bonus culture has been proven to have the opposite effect.

One of the issues with bonus schemes is that they are extremely hard to implement. Any financial-based incentive scheme needs to be designed carefully and tailored to align with an organisation's business needs. Success then depends on how effectively performance is defined, observed and managed, requiring effective communication and engagement on the part of both employees and line managers. This is where the problem lies. Most bonus schemes are not well defined and aligned to organisation goals; and most managers are not skilled in defining and observing performance or communicating and engaging effectively with employees. In fact, most studies conclude that effective communication and engagement will deliver higher levels of performance improvement than the structures of a formal bonus scheme.

### In this edition

#### **A bonus culture can be corrosive**

- some business school lab experiments add weight to the growing body of knowledge that individual bonuses do not work.

#### **6 reasons we make bad decisions**

- common mindsets that are detrimental to decision making

#### **Where does a matrix add value?**

- don't push the matrix too far down the organisation where it just creates costs and confusion.

Plus details of **Public Courses**, **Book Sales**, and a collection of **Snippets** - quotations to further provoke your thinking and reflection

## Snippets

*A collection of thought provokers and quotations...*

"If opportunity doesn't knock, build a door."

*Milton Berle*

"First they ignore you, then they laugh at you, then they fight you, then you win"

*Mahatma Gandhi*

"Remember that not getting what you want is sometimes a wonderful stroke of luck."

*HH Dalai Lama*

"Life is 10 percent what happens to me and 90 percent how I react to it."

*Charles Swindoll*

In one business school laboratory test highlighted in this article, researchers found that, when monetary rewards are available to employees, they exaggerated their accomplishments, falsified documents, and blatantly manipulated their manager's opinions in order to create a deceptively favourable perception of themselves for their own financial gain. Employees wanted to appear 'better' than their colleagues, so a culture of competition and disloyalty was created. These activities also reduce the quality of information available to managers, which means they are less able to objectively measure performance. So, rather than aligning employees to work together on organisation goals, the impact of financial incentives gives rise to a culture of competition and disloyalty, and lower performance and teamwork.

If individual financial incentives aren't the way to boost employee productivity and motivate employees to continue to work hard, what is? The current consensus in terms of financial reward is to offer all employees the same, consistent, above-average salary, closely tied to team performance system.

Team-pay systems have been proven to reduce deceitful behaviour and encourage productivity. Employees get a share of the profits generated by the whole team so that, even though all workers in the team are paid equally, they still have strong incentives to work hard and sustain group performance. There is no advantage for employees to gain by competing with each other, and there is no reason for employees to manipulate managers' opinions of their work contribution either.

A team-pay system combined with enhanced regular communication and discussion of performance at team and individual level is the way to encourage productivity. That is the consensus based on the failure of traditional performance management and bonus systems and the laboratory and empirical research on alternatives.

## USEFUL LINKS

[Click here](#) to read the article by Brice Corgnet is professor of finance at Emlyon Business School published in HR Zone

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"Don't judge each day by the harvest you reap but by the seeds that you plant."

*Robert Louis Stevenson*

"The best way to find out if you can trust somebody is to trust them."

*Ernest Hemingway*

"Without trust we don't truly collaborate; we merely coordinate or, at best, cooperate. It is trust that transforms a group of people into a team."

*Steven Covey*

"Life isn't about finding yourself. Life is about creating yourself."

*George Bernard Shaw*

"When you're 20, you care what everyone thinks; when you're 40, you stop caring what everyone thinks; and when you're 60, you realise no-one was ever thinking about you in the first place."

*Winston Churchill*

"People influence people. Nothing influences people more than an introduction from a trusted friend."

*Mark Zuckerberg*

"Whatever your grade or position, if you know how and when to speak - and when to remain silent - your chances of success are proportionately increased."

*Ralph C Smedley, Toastmasters International*

## 6 reasons we make bad decisions

Research has shown that the typical person makes about 2,000 decisions every waking hour. Most decisions are minor and we make them instinctively or automatically, but many of the decisions we make throughout the day take real thought, and have serious consequences. Mike Erwin, a retired Army officer and Assistant Professor in Leadership & Psychology at the West Point U.S. Military Academy identifies six mindsets that are detrimental to good decision-making:

## Where does a matrix add value?

Global Integration, specialists in matrix organisations, report that many organisations take the matrix too far down into the organisation. They identify three key groups within any large, complex organisation:

**Decision fatigue.** Our ability to perform mental tasks and make decisions decreases with use. One of the most famous studies on this topic showed that prisoners are more likely to have parole approved in the morning than when their cases are heard in the afternoon. So it is good practice to prioritise your time so that you make them when your energy levels are highest.

**A steady state of distraction.** Information and communication never cease. Researchers estimate that our brains process five times as much information today as in 1986. Consequently, many of us live in a continuous state of distraction and struggle to focus. To counter this, find time each day to unplug and step back from email, social media, news, and the information onslaught.

**Lack of input.** The Kellogg School found that in a typical meeting, an average of three people do 70% of the talking. Susan Cain also points out that many introverts are reluctant to speak up in a meeting until they know precisely what they want to say. Yet, the quiet members of our teams often have some of the best ideas to contribute. So, send out an agenda in advance to give everyone time to think about their contributions, and work to set a culture that allows people to contribute their ideas.

**Multi-tasking.** Research clearly shows that performance, including decision-making effectiveness, suffers by up to 40% when we focus on two cognitive tasks at the same time. When you need to make important decisions, carve out and commit to blocks of time during the day to focus deeply on the task at hand.

**Emotions.** Our emotions, especially during moments of peak anger, can hinder our ability to make good decisions. Deciding to speak or send an email while angry often compounds a situation. So, pay attention to your emotional state and resist the temptation to respond to people or make decisions while you're emotionally keyed up. Practice walking away from the computer or putting the phone down, and return to the task at hand when you're able to think more clearly and calmly.

**Analysis Paralysis.** There's also no end to the amount of information we can access. And the more information we have to consider, the longer we typically take to make a decision. While the decision-making process should be thorough, the best way to make good decisions is usually to review the pertinent information you need, set a deadline to make a decision, and then stick to it.

## USEFUL LINKS

[Click here](#) to read the full article from Harvard Business Review

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**Book sales**

The *global group* – the small number of leaders at the very top who head up major business units, regions and functions. These individuals tend to report directly to the CEO. They do not have multiple bosses themselves.

The *locally loyal*: the people who work in factories, shops, offices, sales forces and service centres. Usually the vast majority of our employees – often 85% or more, though organisations with a high proportion of professional or managerial staff may have a lower percentage.

It is this group that should be insulated from the complexity of the matrix. The matrix really has little relevance here. Coordination of their work can be achieved through shared workflow or systems or virtual teamwork and doesn't require the complexity of multiple bosses.

In between is the *matrixed middle*, the people who bridge the gap. Typically, no more than 10% to 15% of your employees, this group is critical to the success of your matrix. Dual reporting lines need only applied to this middle group which is typically no more than two or three reporting levels below the global group. Other people may still be involved in 'matrix working' in virtual and matrix teams and projects but they don't need the full complexity of dual reporting.

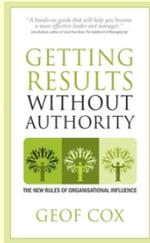
The key question for matrix design and effectiveness is 'where does complexity add value rather than just cost and confusion?'

## USEFUL LINKS

[Click here](#) to see the article from Global Integration

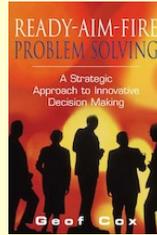
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