

The Deadliest Toxin



How this insidious, invisible danger is targeting your employees; undermining their engagement, their effectiveness and their self-esteem – and yours too – and endangering your business

Bay Jordan

Author of “Lean Organisations Need FAT People”
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The People Accountant
Valuing the integrity of your people

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Think for a moment how much of your time at work is spent on people related matters.

How much time do you spend telling people what they need to be doing? Or coaxing them to do better? Or trying to help them solve the problems they encounter?

How often do you hear that employee engagement is a problem? And that you need to improve performance and increase productivity?

It is hardly any wonder if you feel you are on a treadmill. That no matter how much effort you put in you are still playing a losing game. With contradictory objectives like that you can hardly be blamed if you feel winning is simply ensuring that for every step forward you take, the backward step is a smaller one.

An Invisible Force

Don't worry! You are not alone. All managers and business leaders face the same problem.

But what you have not realised is that there is an unseen force that is working against you. It is invisible and therefore unrecognised and it is quietly, inexorably and devastatingly undermining - even sabotaging - your efforts to improve things. It is a toxin that debilitates your people's sense of self-worth, destroys their performance and decimates their results. And in the process it does exactly the same to you and your organisation.

Shocking though that is, there is even worse news.

This toxin is an integral part of your medicine to make things better.

That means that the more you try to remedy things the worse they get. For the past two decades or more, all your attempts to improve employee engagement and the health of your organisation, have actually been held back by the medicine itself!

If you doubt this, just look at your people management programmes and how much they are costing you. Look at the increase in your people costs and then measure the returns on investment on what you have spent. Even if they look credible, are you certain there is a correlation? How much of your improvement is the result of other unrelated initiatives, or simply the then buoyant market conditions?

The Emperor's New Clothes

For the last 3 or 4 decades this toxin has spread through all walks of society. A wolf in sheep's clothing it has permeated business, the public sector and non-profit organisations alike. And, like the emperor in his new clothes, it has spread not only unchallenged but acclaimed. And all the time it has been poisoning good business and destroying the very fabric of society.

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Which is why you will be shocked to learn that it is none other than incentive remuneration or performance related pay.

The Premise Underpinning Incentive Remuneration

Of course, incentive remuneration would not have been accepted so blindly, or become as pervasive, if there had not been such good grounds for it in the first place.

The principles underpinning incentive remuneration are:-

1. People will work harder for greater rewards;
2. Good work deserves a greater reward;
3. The more people an organisation has working harder for their rewards the better the organisational performance will be.

There is no doubt that the logic appears obvious and irrefutable. That is why so few people have challenged it, or when they have, they have challenged the excesses rather than the logic.

Unfortunately, it is flawed logic and does not actually work in the manner that conventional wisdom has assumed it does.

The Flaws of Incentive Remuneration

There are in fact a number of weaknesses in the concept that actually make incentive remuneration counter-productive. These are:-

1. Financial incentives are, at best, only a very short term motivator.
2. Over time the financial incentives become an expectation and even an entitlement, rather than the reward for outstanding performance that they were originally intended to be. This is clearly indicated by the subsequent arguments that executives were contractually entitled to their bonuses despite clearly unsatisfactory corporate results.

3. Research has shown that incentives only work for mechanical tasks and are actually counter-productive for more complex work. (See <http://www.youtube.com/watch?v=u6XAPnuFjJc> for Dan Pink's research findings.) Yet, the really surprising thing about these findings is not the conclusion itself but rather the fact that it should be obvious. Why? Because, when you think about it, success is never personal. You see, no matter what the environment or what the field, personal achievement stems as much from the contribution of others as an individual's own efforts. And this is even more true in an organisational or team environment. Which is why ...
4. Personal incentives shape focus and undermine effective collaboration and teamwork.
5. Incentives do nothing for employee engagement.

Of course it may seem somewhat inconsistent, even contradictory, to say on one hand that money does not motivate, and then on the other to claim that this shaped behaviour that led to the disastrous consequences of the 2008 financial crisis. It is, however, precisely because of these other factors that it did; particularly the second point.

The fact is that incentives do not necessarily engender the continued extraordinary effort that they are designed to, but they nevertheless shape the systems and the culture in which that activity takes place.

That, however, only hints at why incentives are toxic. There are a number of specific reasons.

Why Incentive Remuneration is Toxic

The first of these is the notorious "law of unintended consequences." As you know this "law" comes into effect whenever you try to make a simple change to a complex system or in a complex environment. This is almost inevitable as it is impossible for you to cover every eventuality. Certainly there have been examples where the wrong performance measures have had an adverse effect on an organisation. And, of course, such problems are made worse when incentive remuneration is involved.

This occurs most frequently with commission: when sales people either oversell to their customers or sell beyond the company's capability to deliver. I experienced this when I was working for a major retail financial services company. The company paid commission for mutual fund sales even when this simply entailed a transfer of money from current or savings accounts. Of course this meant the company incurred an expense even when there was no direct benefit to the company itself. Yet no-one acted to rectify the situation.

The second reason that incentive remuneration can be toxic is because it can be complex and lack transparency. If people do not understand the system they will not have complete faith or trust in it. In which case the system will certainly not have the full effect intended.

The third reason is closely linked with this. It is that all too often incentive schemes can be subjective or open to manipulation.

I experienced this personally when working for a leading consultancy. When I joined one of the lures was the promise of a substantial bonus. One of the primary criteria for getting the bonus was billable hours worked. However, at the end of the year I did not receive a bonus despite the fact I had comfortably exceeded the targeted billable hours. Neither did many of my colleagues. When we queried this, management told us this was because the firm had discounted consultancy rates in order to secure business. Management had decided that it was inappropriate to award any bonuses in light of this decision. However, this had not been stated before and so we were taken completely by surprise.

This made me extremely angry because:-

- The bonus had been a major factor when I decided to accept the position;
- I felt that the rules had been changed deliberately to avoid the obligation;
- The decision to discount the rates was made by management and was something over which I had no control whatsoever;
- I had worked particularly hard on one extremely challenging assignment and been highly commended for my work and contribution to the team.

Needless to say I was not the only one, and the net result was that a number of us resigned and moved on pretty soon after that!

The Gruesome Twosome

As you can see, all these factors combine to make incentive remuneration extremely toxic. But that is not what makes incentive remuneration one of the deadliest toxins to employee engagement there is.

What really makes it so lethal is the fact that it is actually a twin.

Consequently it rarely operates on its own but teams up with its awful sibling, to create a multiplier effect that more than doubles its lethal toxicity.

Ironically, its ghastly twin is not quite so invisible, but it is able to deflect attempts to treat it by two contradictory methods. These are:-

1. Self satisfaction; and
2. Disparagement.

Have you guessed what this terrible twin is yet? Of course it is "Inequity."

You see, the problem with incentive remuneration is not that the rewards are not equal, but that they are inequitable. This is widely recognised but is rebutted by arguments that justify it by claiming, "Because I am worth it", or "People who resent it are just jealous. They would do exactly the same if they had the chance."

However, the issue runs a lot deeper than that.

Think for a moment about some of the executive bonuses that you might have read about. The figures seem astronomical compared to all but a fortunate few. But it is not the gross figures that are the problem but the percentages. The average UK bonus in 2010, according to the Office of National Statistics was 4% of basic salary. Yet here you have these executives getting bonuses that are 100% and even more of their basic pay. When you factor in the size of that base and all the other significant perks that executives receive you may begin to see the issue.

It is hardly any wonder that the earnings gap is actually widening. And it's not just in the UK; it is a widespread phenomenon in many OECD economies. Thus it is hardly surprising that employees are becoming more disengaged. They see requests to improve their performance as being nothing more than a ploy to garner even bigger bonuses for their managers.

The "Sponge" Factor

Clearly when you have such disparity in the structure of your incentive scheme, you build in a retardant to all your efforts to improve employee engagement. Your people simply see them as the ultimate in hypocrisy, and grow increasingly disillusioned.

Unfortunately, even that is not the end of it.

There are five other toxins you need to be aware of. And they all attack the central nervous system of your organisation - your people and their engagement. Of course they are all dangerous individually, but it is their innate ability to combine and to work together that makes them so deadly. They can threaten the entire sustainability of your organisation.

All have a sponge-like ability to absorb anything negative. They pick up every gripe or grievance in your organisation and so compound one another. Thus they actually tend to work collectively rather than independently. This is what gives them their invisibility and makes them so hard to identify; and the antidote so elusive.

Our 'gruesome twosome' are undoubtedly the most deadly because they are the most susceptible to the negativity. But all seven have a tendency to feed off one another and so increase their debilitating, toxic strength.

The danger is that, as they do, they create a risk to the sustainability of your business. And the fact they are innate to both the structure of your organisation and your efforts to address the employee engagement problem exacerbates that danger. No one can blame you for not recognising the threat when they have become so established. But, unfortunately, ignorance is no protection.

But even your new-found knowledge does not bring any relief. The problem is a serious one. The toxins are so innate and so widespread with such a hold over conventional management practice that you are probably wondering what on earth you can do to find an antidote and restore the trust and engagement that you have lost.

The old adage of "forewarned is forearmed" certainly applies here. The cloak of invisibility that has kept these toxins, and their effects, hidden for so long has now been removed and so you can now begin to counteract them. It just requires an entirely new approach.

Fortunately there is one.

A Clinical Trial

Find out more about the lethal combination of inequity and incentive remuneration, as well as the other deadly toxins that are enervating your performance and diminishing your results and threatening your long term business prospects. "The 7 Deadly Toxins of Employee Engagement: How they debilitate your performance, destroy your effectiveness and decimate your results and how you can neutralise them for sustained success", explains all.

Get your copy now from www.7deadlytoxins.com or contact us directly at Zealise - www.zealise.com or phone us on +44 (0) 1254 727652 - to find out more and how you can get your clinical trial for this breakthrough remedy that will help you improve your effectiveness, transform your performance and boost your bottom returns. And make your life a whole lot easier.

About the author

Bay Jordan is the People Account. The author of *"Lean Organisations Need FAT People"* and *"A Feeling of Worth,"* Bay is the founding director of Zealise, a company that helps organisations value their employees and embed employee engagement into their DNA.

As a lifelong, passionate subscriber to the principle that people are an organisation's primary asset, he attributes all his own career success as a Chartered Accountant in auditing, financial management and consulting to this philosophy. He avers that sustained success is impossible with disengaged people and is confident that his innovative model provides a solid foundation for greater organisational effectiveness, greater performance with significantly improved bottom-line results and greater organisational integrity. It thus provides the antidote to the toxins that undermine all conventional efforts to create engagement.

Are you unwittingly poisoning your own efforts to get the best from your people?

It's no good doing all the right things if you are not doing them right!

If you are really focussed on trying to improve your employee engagement and are baffled by how fruitless your efforts are proving, here is your chance to find out why.

Most advice on how to motivate and engage your employees dwells on what you have to do. It all overlooks the fact that motivation is innate and certainly does not look at what may be causing the problem and poisoning your best efforts to fix it.



Bay Jordan

**The People
Accountant**

In this guide Bay Jordan redresses this. He highlights the deadliest toxin that neutralises, negates and nullifies all you are doing to be a good leader and gives you the insight to start building the success and the lasting leadership legacy you aspire to.

Value: Inestimable

Price: \$9.97