

A New Approach to Make Rewards Rewarding

David F. Smith, PhD*

Leadership skills are critical in structuring a reward program that is effective. The goal of a reward program is to motivate a practice's employees to do the right work the right way. Most reward programs fall short. A new approach that considers individualizing rewards may work for a medical practice. However, designing and implementing a new program is more than a management function—this process requires leadership skills. This article discusses this new approach to rewards, and, more importantly, emphasizes how leadership is needed in any type of restructuring of work-related practices.

KEY WORDS: Employee rewards; leadership; inclusion; extrinsic reward; intrinsic reward.

The saying “You get what you pay for” is not always true when it comes to compensating medical practice employees. Employers usually pay too much for what they get in return when it comes to rewarding employees. Rewards should be motivators, but they can fail to motivate. For example, awarding a “spa day” for exceeding goals costs perhaps \$500 in lost work-product and spa costs, but the employee receiving that award: (1) doesn't particularly care for spas; (2) would have much rather had the \$500 and worked that day, because; (3) the employee's workload will have to be made up on the next day back anyway. In this case, it is entirely possible the \$500 value does not produce \$500 of motivation to exceed goals.

This simple example illustrates the three key elements medical practices should keep in mind regarding rewards as motivators:

- Know what is possible to use as motivators;
- Understand that individuals value rewards differently; and
- Match the reward to the effort and the individual.

It is the effectiveness of rewards that matters.

Many reward systems are structured to be easily understood and efficiently operated. In reality, it is the effectiveness of rewards that matters. A reward system can be understandable, efficient, and also effective in promoting best practices at work. However, employers often do not focus on the basics of rewards in order to build a system

from the ground up that works for them and their employees. When a medical practice manager considers individual employee needs and wants, that manager is showing true leadership ability instead of cookie-cutter business administration.

The basics of rewarding that are foundational to an effective system are:

- Recognition of the difference between extrinsic and intrinsic rewards;
- Appropriate matching of the perceived value of a reward to the effort required to earn that reward; and
- Management flexibility to administer an effective reward system.

These three elements can be addressed only if management is open-minded, inclusive when designing the system, and respectful of employee individuality. Being open-minded and respectful are leadership abilities that, when skillfully employed, build a company culture that keeps your best people happily contributing at high levels.

EXTRINSIC AND INTRINSIC REWARDS

Extrinsic rewards are those that provide for physiological needs and safety in terms of Maslow's hierarchy of needs. Although Maslow's theory has never been tested, it does make sense that someone who is hungry and scared might be motivated to relieve those problems. In our society, money is the exchange medium that is an extrinsic reward for work. An employee can exchange the money for food, rent, cars, and so on. Extrinsic rewards are used in transactional leadership styles and are quite effective. There are

*Director of Research, Five Star Leadership, Oahu Adventures Foundation, Inc., 6960 Feldspar Place, Carlsbad, CA, 92009; phone: 619-876-6343; e-mail: davidsmith@oafound.org.
Copyright © 2019 by Greenbranch Publishing LLC.

many other extrinsic rewards a medical practice can provide, and each has an identifiable cost. In some practices, benefits beyond cash compensation are an additional 50% of employee compensation. “Total rewards” programs try to capture these costs and communicate the total compensation an employee receives so the employee can judge whether it is sufficient based on realistic figures.

Intrinsic rewards cannot be spent on physiological needs and safety. Maslow would say intrinsic rewards at work provide for the employee’s individual needs for love, esteem, and self-actualization (i.e., fulfillment of potential). Leadership theory discusses intrinsic rewards as transformational rather than being transactional extrinsic rewards. Daniel Pink¹ emphasized that workers are changing: they are more and more motivated by intrinsic rewards to drive them to contribute and exceed goals. Experimental studies have shown that a significant portion of people will accept a lower cash compensation to work at a place that meets intrinsic needs for belonging, social consciousness, and purpose. Intrinsic rewards vary from “Good job! Thanks!” to time for an employee to pursue their own ideas at work, support of a charitable cause, and much more.

REWARD SYSTEMS

Building a reward system that matches the perceived value of a reward to the effort required to earn a reward requires strong leadership skills. Managerial skills, designing systems, and monitoring are not enough. For this type of project to succeed, managers will have to be motivators as well, which is leadership. A practice manager knows what needs to get done; a leader motivates others to do it. A reward system is certainly a managerial tool, but the team members will have to be motivated to help build it.

The best—and perhaps only—way to successfully structure a meaningful reward system is to include employees in the process, be respectful of their views, and communicate what the management goals are that underlie the rewards. It is not enough to design this system using only management input: the goal is to find what is important to the team members and then make it happen within resource boundaries.

This may be too large a task to undertake all at once, although it often is done that way. Instead, an employer can start small rather than creating a whole new system. For example, if a management goal is to have all insurance billing records updated and verified by 2 PM each Friday, then consider adding a reward if they are updated and verified by noon. As the employer, you have gained two hours of productivity, so you “have the money” for a reward. A leader would find out what each employee would value for getting their work done early and provide a menu to choose from that accurately matched the employer value to the employee perceived value. Let’s say two hours of time saved is worth \$50. A reward menu could include many

items worth \$50. You might even add the option to accumulate rewards for larger menu items. This is an extrinsic reward matching system.

How can intrinsic rewards be included in this menu type system in a medical practice? First, for no additional cost, say, “Good job!” Communicate that you, as the team leader, need the insurance billing reports in by 2 PM because if they are later than that, then you have to stay after 5 PM to compile management reports, and you would rather not. Say “Thanks.” Have menu items such as “\$50 buys a food basket at the Food Bank” or “\$500 buys a day for you to volunteer at your favorite charity, school.” Neither of those rewards affects the physiology or the safety needs of the employee, but they do impact the inner needs that also motivate people.

The important point is that management does not build this in a vacuum. Management has a large role in establishing goals and providing resources. They lead the effort to create a small or large reward system by ensuring employees are involved, listened to, and informed of the planning steps so employees feel the teamwork leaders want to foster. Note that the teamwork looked for is the one-on-one relationship between a supervisor and the person being supervised. This is the reason for consistently considering individualization with reward systems. This strengthens that important trust relationship that gets work done.

A flexible approach to rewarding is a wonderful way to continually decrease that intention to find work elsewhere.

Management can really screw this up. Inflexibility usually is the culprit. “We can’t do this for x, y, and z reasons.” One major pitfall of inflexibility is the perception by employees that in order to get what they want from their work, they have to go elsewhere. If they want to further their education with a master’s degree, but the employee improvement program will only assist with a bachelor’s degree, even if the employee had a bachelor’s when they joined the organization, then this might be a reason for the employee to consider voluntarily terminating employment. Every little thing that an employee considers about his or her work life either increases or decreases that intention to quit. This is why a flexible approach to rewarding is a wonderful way to continually decrease that intention to find work elsewhere.

One company (not a medical practice, but worth reviewing) went all in on this individualized reward menu system. Management spent considerable time evaluating the cost of everything that was currently used as rewards. This included cash, trips, cars, birthday cakes—every little thing. Once they had a value for everything, they knew their

“reward budget.” There was some dithering about how to price some of the intrinsic rewards, but they got through it without simply assigning a zero value.

A hearty “Thank you” doesn’t cost much.

They knew that intrinsic rewards have value to employees, and they wanted to be sure to capture that. Next, they asked employees, HR consultants, researchers, and others what the rewards could be. From this large list, they culled out what was best, using employee opinion as a critical factor, and priced that menu. The last step was to price the value of the management goal: how much value to assign to “Exceeding sales goals by 10%” or “zero sick days in six months.” Just showing up for work had a value. Working an extra weekend at a conference had a value. Although developing this system required a considerable amount of work, both on the goals and the rewards, a system finally is in place that is very flexible, transparent, and, most importantly, effective in matching goals to motivations. Management and employees say the system is working quite well for them.

As mentioned, a hearty “Thank you” doesn’t cost much. It does require practice leaders to pay attention to this type of reward, though. There are many ways for a leader to exhibit their leadership ability, and it should be a habit. It’s not all quick “thank-yous”: leadership should be a coherent and authentic approach to reach each individual on that inner basis to create belonging, esteem, and self-actualization. The perceived value of intrinsic rewards is individualized. Each person wants different things and values those things differently. The difference can be highly dependent on personal history and personality traits. Although a practice leader may know how much cash it takes to keep someone motivated, they must spend considerable time with an individual to understand the intrinsic side of compensation as applied to that individual.

Individualization of intrinsic rewards has three basic factors to consider: the possible rewards, the personality of the team member, and the person’s preferences. The “possible list” is created given resource constraints. Because this reward system ostensibly is about how a person feels about his or her work environment and the reward for work, inflexibility in the list of possible rewards usually is met with concern by the employee. If a leader is going to succeed in creating an intrinsic reward culture that is effective, that leader needs to fight for a broad-minded approach to the rewards. For example, leaders who help team members improve are scored high by those employees for leadership quality. Improvement topics don’t have to be work-related to be a strong compensation element. Helping an employee who wants to be a CPA further his or her education could be a significant reward, even if it means

the employee might eventually leave his or her current position. Hopefully, there would be room for this newly minted CPA in the organization.

Secondly, individualization implies a concern for the personality of the employee the leader wants to motivate with intrinsic rewards. Some people desire a greater sense of “belonging” than others. Team building events that may seem a reward to some are actually disdained by others. Some people are perfectly happy with themselves and the work they do, whereas others have a need to move up the corporate ladder. A leader need not spend time intrinsically rewarding the happy worker by helping him or her get promotions; but for the other worker, that helping attitude is a great intrinsic reward. Praise can be an intrinsic reward, but public praise may embarrass some team members.

The third element of individualization is exemplified by a leader including each team member in designing his or her preferred reward system. Given a list of possible rewards and the varied personalities of team members, it is incumbent on the leader to design a plan that fits each team member. Some seemingly extrinsic rewards become intrinsic rewards in individual cases, and these nuances must be considered. Cash compensation, for example, is generally thought of as extrinsic, but at some point, cash becomes a scoring mechanism so that the more money employees make, the better they feel about themselves. Knowing that they are receiving something special as a cash bonus is intrinsically as well as extrinsically rewarding.

SUMMARY

Compensating medical practice employees can be very simple: do the work to get the cash. The downside is that employee motivation is not a simple thing. If cash is the reward for work, loyalty to that employer lasts only as long as a greater amount of cash is not on offer from another employer. To retain and motivate contributors to an organization’s success, compensation must be structured as a retention mechanism. Retention is directly related to how each employee currently feels about quitting. A well-designed reward program that includes extrinsic and intrinsic rewards that are at least somewhat individualized goes a long way toward keeping employees from feeling like quitting.

Employees who do not feel like quitting usually are the higher-producing employees, who also contribute above and beyond their work assignment. They are positive role models. They are on time. They care for their fellow workers. These are wonderful leadership outcomes and entirely within leadership’s ability to accomplish through well-structured reward-oriented compensation. ■■

REFERENCE

1. Pink DH. *Drive*. New York: Riverhead Books, 2009.