Oops! You mean there's a better way to improve performance?

Last week we discussed getting your team aligned around a critical number, ours being Gross Profit Margin. This week I want to share one or two business practices that are counter intuitive, aka an "OOPS!" in the Aubrey Daniels book called *OOPS! 13 Management Practices That Waste Time and Money*. The book is about behavioral science, detailing the basis for how humans behave toward typical ways business is done. You might be just as surprised as I was to find that one of the most relevant, counter intuitive practices outlined here is Salary and Hourly Pay, otherwise known as Oops #6.

Daniels says that "The modern organization wastes more time and money in the way people are compensated than it wastes in any other area of the business. Salary and hourly pay is pay for showing up, not for performing. Raises are forever. Bonuses are only loosely contingent on performance. Even profit sharing and pay-for-performance plans are poorly designed to create the best performance."

This was a pretty huge slap in the big fat business mug! Talk about changing the current thinking of how we do things! This is the very reason why my company is moving towards a greater portion of income being based on a key critical number, such as gross profit margin as described last week. Even this is not perfect, however, because it doesn't reflect true individual performance.

It's funny how the behavior analysis types tend to look at

salary jobs as the ticking of the clock rather than performance. Pay-for-performance is the right method behaviorally, as one study in the book exhibited when Safelite Glass Corp switched from salary to piece-rate. The saw a 44% increase in output after the change.

Daniels says that 3 things are necessary to obtain the best results:

1 Pinpoint the behaviors and results that add value to the enterprise (this can take time, but it is the most important part of the process)

2 You must have an easy way to measure the results and behaviors

3 The measure should be one that can be easily tracked by the performer

We are considering using a scorecard that lists key activities, putting more weight on the ones that we value the most, to get more focus on performance for our development team. This will be a big leap toward everyone having their mindset on getting the right things done. I am excited to see how this will affect, and hopefully improve our performance.