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'Greed Is Good' - Remuneration, Motivation And Organisation

By Jonathan Palmer

The 1980's business culture in the USA and internationally put a considerable emphasis on

personal reward on the basis that highly motivated individuals could transform organisations and societies. The extreme example in film was Gordon Gekko in Wall Street stating that greed was good. The 90's, however, have seen companies traumatised and bankrupted by the inappropriate use of remuneration as a motivator. Yet major corporate successes have been built on reward based remuneration systems. Phones4U recently and Allied Dunbar in the financial services market is an earlier example.

The notorious Barings Bank had individual traders on bonuses in the millions yet in the long term these motivated individuals were not fulfilling the company's objectives. Moreover even when an individual's reward system is based on entirely appropriate performance indicators, resulting in the organisation's success and he or she is rewarded, there may still be problems arising from the large differential between salaries of senior people and those of middle management. A payment system that depresses or demotivates 10 people for every one it motivates may not be the best for the organisation.

Wise organisations are therefore trying to reward and motivate all staff so that staff act energetically to further the corporation's interests both short and long term and feel they have been treated fairly. However there must be properly in place the link between the items on which they are being rewarded and the actions they are able to take to influence the desired outcome.

A wise organisation accepts that:

- It is reasonable for the individual manager to act in his or her own interests.
- Managers work for people not organisations and want to please the superiors closest to them, or failing that, their peer group.
- Managers want to achieve and will be attracted to those tasks at which they know they can succeed, usually favouring the short term at the expense of the long term.

The clear implication is that an organisation should lay some groundwork before relying on a remuneration structure to change performance and behaviour. In other words the management and

organisation system must be in balance with the remuneration system.

There are 5 major pre-conditions to the installation of an effective reward structure.

1. Measurement: "If you don't measure it you won't get it". There are various measurement systems of which Balanced Scorecard, which sets multiple objectives and is used by Tesco, is perhaps the best known.

2. Monitoring: If the performance measures are not monitored properly or only monitored in a review at the year end, it can give the manager signals that they don't really matter or, worse still, that failure is acceptable providing all the managers fail together.

3. Control of the tools for the job: The organisation must ensure that the individual is not over dependent on factors outside his control to achieve the performance measures set out (this is the 'how' part of the equation).

4. Consistency: Ensuring that short term organisational factors don't over-influence managers or drive them from their real objective. The organisation must also ensure that its own design (be it bureaucratic or loose) is appropriate to what is being asked of managers.

5. Reward and strategy in line: An organisation's achieving a clear strategy is not an event that will take place in the future; it is a journey. A remuneration system can be put into an organisation even when it has a relatively muddled strategy providing that organisational and management disputes are resolved by reference to strategy and the "balanced score card". Only then will there be pressure on the organisation to refine its strategy, structure and remuneration systems.

Based on these 5 pre conditions, there is a checklist of 10 factors that the effective remuneration and reward structure must achieve:

1. Support the business strategy 2. Encourage the desired behaviour 3. Reward relevant performance 4. Be fair 5. Be substantial 6. Be tax efficient 7. Be timely (The reward must take place close to the achievement) 8. Incorporate non financial rewards (Recognition can be as important as cash) 9. Be firm (A bonus lost through missing target should not be recoverable whereas a salary increase should only be delayed until target is reached) 10. Be crystal clear

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DON'T LET THESE 3 DEADLY DEMOTIVATORS DEFEAT YOU

By Noel Peebles

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Demotivation happens when your negative thoughts overwhelm any positive motivation you may have. Don't worry you're not alone. We all fall victim to it at times. It may be as simple as "having a bad hair day", but it can also be far more serious.

Demotivation can distract or discourage you from achieving your goals. The truth is; demotivation can be downright deadly and destructive!

Here are some warning signs to look out for –

You might be feeling cantankerous, downhearted, frustrated, or as if you are being victimized in some way. Other tell-tail signs could be boredom, depression and lethargy.

So what's the cause and how can you overcome it?

Well, it could be due to one of several reasons. Here are 3 to think about:

DEMOTIVATOR # 1.

Criticism is a prime culprit. Continued criticism might lead you to think "I can't do anything right." You may feel worthless or believe that no one has faith in your ability. Then you start to doubt yourself.

This can happen when associating with the wrong people. Demotivation can be the result of negative talk, always blaming others, or a "nothing ever goes right" attitude.

The solution is to surround yourself with people who will make you feel better about yourself. Seek out people who focus on what's right and good rather than what's wrong and bad.

DEMOTIVATOR # 2.

Demotivation can stem from greed. There is a popular misconception that people who are money-hungry are the greedy ones who end up with the money. This is sometimes true in the short term, but often the exact opposite happens.

When in the retail trade I saw this time and again. I knew of other retailers

who would squeeze their suppliers for every last cent. One chap would rip

the stitching on unsold soft toys and then return them to the supplier for a credit. He never paid his bills on time and took advantage of everyone he came in contact with. He tried it with me once... I said ONCE... and I never helped him again. He began to wonder why he was not being offered the good deals from suppliers that I was being offered. And, why weren't his customers returning to buy more?

The fact is – bad things start to happen when greed comes into play. It may not happen straight away, but it does happen. Greed often leads to arguing and fighting which is stressful and demotivating.

I believe in doing your best and treating others, as you would expect to be treated. With the right attitude, people will go out of their way to help you.

DEMOTIVATOR # 3.

Demotivation can happen when you strive for the impossible. You may start to think, "it's all too hard" or "it's just not worth it any more."

Demanding the best of yourself and having others demand it of you is fine, but you are headed for a fall if you demand perfection. Be positive, know what you are capable of doing and be realistic. That way you won't be disappointed.

The thing to remember is that motivation and demotivation are about getting the balance right. We all have our ups and downs and none of us can expect to be 100% motivated all the time.

We all go through patches of boredom, depression and lethargy. But, don't worry too much, unless your demotivation lasts for weeks on end. If it does, then you may have to sit down and carefully assess your situation. Think about what might be causing the problem. Think about what changes may be necessary to maintain your right level of motivation?

At the end of the day, your success in life will depend on your own personal motivation, dedication, and commitment. You'll know your capabilities. Your level of motivation will determine what you do and your attitude will determine how well you do it.

Above all, don't let demotivation defeat you.

Noel Peebles. Market Leaders Limited.

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