COMPETITION AND GOAL-BASED REWARD SYSTEMS

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ABSTRACT

Organizations spend considerable time designing, implementing, and evaluating approaches to recognize and reward employees. Many organizations implement various kinds of contests to further this end. Contests based on competition between employees in which organizations recognize the first, best, most, highest, top, or most improved employee typically create destructive competition and should be avoided, while contests based on exceeding predetermined goals are encouraged because of the possibility of creating increased teamwork and an unlimited number of winners.

I. INTRODUCTION

You have just been watching the Olympics and you see athletes committed to their goals, preparing for years, and giving their best. You see the sense of satisfaction and elation that the games bring competitors, as well as the emotion and motivation that have driven these athletes for the last four years and you wonder how you can instill such enthusiasm in your department or organization. You feel that a key reason for the performance of these elite athletes is the level of competition. Competition, you believe, brings out the best in people. You sense that an essential element is the level of competition and you want to bring the competitive spirit of the Olympics into your organization.

It seems to you that the engine that keeps the spectacle of the Olympics going is its competitive spirit. Competition brings out the best in our athletes and you feel that it could do the same for your organization. The excitement of the competition is in the prospect of winning, receiving the prize, and enjoying the accolades: the emphasis is certainly on the thrill of victory while forgetting the agony of defeat. Look what the Dream Team did, women's softball and basketball, Michael Johnson, the U.S. women's gymnastics team, Pocket Hercules. Competition, isn't it wonderful!

As a manager, aren't world class manufacturing, service, quality, and customer relations what you're shooting for? We use benchmarking as a tool to get us there (Camp, 1989). In benchmarking we compare ourselves to the best, establish goals for improvement, and go on to meet our goals. This is as it should be, right? Again, we see the competitive spirit breathing life into our efforts. After some thought you decide to implement various contests in your organization to try and bring about this competitive spirit—and increased performance.
II. COMPETITION-BASED CONTESTS

You draw attention to a new work priority by announcing a contest with valuable prizes for the winners. You provide a lot of publicity, urge everyone to participate and try their best, provide many reminders during the contest period, and announce the winners with fanfare and celebration. You implement an "Employee of the Month" program, you start a productivity improvement contest by identifying the "Most Improved Employee," you begin a "Salesperson of the Year" competition, you launch a "Top Team Award," and you inaugurate a "Best Idea of the Month" tournament. Light the torch and let the games begin!

Such programs represent a very simplistic approach to the significant problem of employee motivation and human performance (Daniels, 1994). While the goal of these programs is to recognize outstanding performance so that employees will feel better about their job, themselves, and the company, more often they accomplish the opposite (Daniels, 1989).

Why would competition-based contests, attracting widespread participation and offering high rewards, where we recognize the first, best, most, highest, top, or even most improved, be suspect? Here's why:

1. Such competitions create more losers than winners. At the Olympics we remember the winners but forget about the vast majority who failed to win, place, or show. What the losers may learn from the process is that no matter how hard they work, their chances of receiving top honors are very small. So, after one or two tries, they may say, "Why bother?" Your job as a manager or supervisor is to create a cadre of winners, but how can we achieve this if our recognition systems force us to create a mass of losers. Any recognition system where one person's success limits another's is a poor system. Whether you have 1, 10, or 100 winners, there is a problem if even one person can't win because of competitive rules. It's amazing that organizations endorse such programs even as they preach the importance of teamwork (Deepprose, 1994). If you want competition, benchmark your company against your competitors and rally everyone to close the gap between you and them if you are behind, or widen the gap if you are ahead.

2. For any winner, there is likely to be an anonymous support group that goes unrecognized. Think of the Academy Awards acceptance speeches where the award recipient recites a litany of names without whom their award would have been impossible. There are always individuals whose contributions to the winning performance do not get rewarded by the organization. What happens to their motivation in a competition-based system?

3. How many times have you been in a restaurant or hotel and seen a plaque where the establishment has spaces for the best or top employee only to find that there are a number of empty entries on the award for past dates. In some cases, management has forgotten about the program. Long ago organizations realized if they gave the award to the "best" performer, the same person or persons win every time and so management is reluctant to place the same name or picture on
the trophy month after month. In other cases, it seems that the award is rotated among employees because management feels that to give the award to the same person, or small group of important performers, will act as a demotivator for others. Therefore, everyone is given the award, deservedly or not. At this point, the award becomes a "pass-around" without credibility.

4. Organizations need cooperation to attain their objectives but competition-based reward systems tend to create distrust, strife, conflict, and unethical behavior (Deeprose, 1994). Just as Olympic officials have to spend considerable resources checking for the use of illegal performance enhancing drugs, managers must spend considerable time ensuring that employee's performance is ethical and in compliance with contest rules. If the award is considered one of importance, then care must be taken to ensure that employees do not sabotage the work of others. Also, contests become problems at work because of the large tangibles associated with them. When trips, cars, TVs, and other valuable items are given to the winner or winners, some people will lie, cheat, and sabotage others to win.

III. GOAL-BASED CONTESTS

A suggested alternative to competition-based contests is a goal-based reward system where everyone who meets certain criteria is recognized (Daniels, 1994). When you have people working to accomplish a specific outcome, success is determined by whether the person or team reached that level, target, or goal independent of what others did. In a school setting, a competition-based system is where the teacher identifies the top 10% of the class will receive "As," the next highest 20% "Bs," the next 40% get "Cs," the next 20% get "Ds," and the bottom 10% are to get "Fs." In this situation, students are competing against one another. Contrast this to the teacher who indicates to the class that everyone who makes a 90% or above on all coursework will receive an "A," 80-89% will obtain a "B," 70-79% a "C," 60-69% a "D," and an "F" for scores less than 60%. The second teacher is not indicating that a certain percentage of students will receive a grade, and conceivably everyone in the class could earn an "A."

As an alternative to the contest-based "Employee of the Month" reward program you might recognize all employees who are commended by customers or nominated by coworkers. An alternative to the "Most Improved Employee" contest would be to establish measurable productivity improvement goals for all employees, and honor all employees that meet their goals. Likewise, you might honor all salespersons who meet their quota and you might cite the figures for the top, middle, and bottom salespersons (without identifying names) in order to give people an idea of how they compared to others.

In contrast to the "Top Team Award," you might establish success criteria for each cross-functional or self-directed work team, and honor all teams that meet their criteria. A better way of conducting the "Best Idea of the Month" contest would be to give a small reward for all ideas. Companies that do so find that the
quality, as well as the quantity, of ideas increases (Daniels, 1994). When you implement an employee idea, establish a measure of success and present the employee with a reward of more value when success is achieved, perhaps a fixed percentage award. All employees would receive the same percentage based on increased efficiency but the absolute value would differ based on the cost-savings that a particular idea had for the company.

What all goal-based programs have in common is that employees are not in competition among themselves but against a standard, goal, or target. Mary Kay Ashe, founder of Mary Kay Cosmetics, uses a goal-based system. Each year, sales associates who reach a predetermined dollar volume of sales receives use of a pink Cadillac for a year. From Mary Kay’s perspective, she would like to have all associates in a pink Cadillac because every time she puts someone in a car she gets a little richer. Goal-based approaches establish specific criteria and do not limit the number of winners. Goal-based systems offer another reward: the personal fulfillment of accomplishing the goal and the satisfaction of a job well done. These can become more powerful motivators than any tangible reward.

IV. ARE ALL CONTESTS BAD?

Competition can be a good thing when it is directed outwardly, for example, toward other organizations in your market (Kreiner & Kinicki, 1995). Avoid contests that imply the best, first, or top in your own work area. Even those people who appear to thrive on competition do better when competition is directed outside the organization. Most organizations are trying to enhance teamwork and creating internal competition simply does not foster that goal.

V. CONTESTS THAT MOTIVATE

In conclusion, to run an effective contest there several rules to follow:

1. Use small tangible items as prizes and focus on bragging rights as the main reward. Companies that do so find that the quality as well as the quantity of ideas increases (Deeprose, 1994).

2. Make the contest short, usually not longer than a quarter. Year-long contests put the consequences too far from the behavior, and even the highest performers will tend to get weary by the end of the year.

3. Make the contest fun. Be careful, however, who defines what is fun. Someone may think that it would be fun at an awards banquet to have the winners eat steak and lobster while the losers eat beans and franks or have a "screwball award" for the poorest performers. These kinds of "fun" activities are very risky because they involve public humiliation, which is at the top of most peoples’ list of fears.

4. Make sure the contest participants know what must be accomplished to earn recognition and reward. In many cases, employees do not really understand what the contest is really about. Next time you are in a restaurant or hotel and you see a plaque with names for an employee of
the month contest ask an employee to explain it and tell you how they can earn it. Often, they will tell you something vague about hard work and having a good attitude. Contest rules need to be clear and specific.

5. Celebrate small wins and improvements (Soper, Von Bergen, & Sanders, 1996). One of the most common sources for employee recognition and reward is suggestion systems. A study published by the Employee Involvement Association, formerly the National Association of Suggestion Systems showed that the net savings per idea in the United States in 1990 was over $7100 compared with less that $130 in Japan. On a per employee basis, the figure is over $3600 in Japan and less than $400 in the U.S. These figures are based on the fact that in Japan the average employee submits 32 ideas per year and in this country the average is only 0.17 per employee. That is a ratio of 188:1. What is worse is that of the few ideas that we generate, only 33 percent are actually adopted. In Japan, the rate of adoption is 87 percent. In Japan, there is an emphasis on small incremental improvement (kaizen) while U.S. organizations have a penchant for the big win or "magic bullet." There are unlimited opportunities in focusing on small wins and celebrating their success.

6. Create many winners. Set criteria to be reached. Do not set a limit on the number of winners, and you will discover that you have more winners than you ever dreamed. Using these suggestions while focusing on goal-based incentives can provide many organizational gains. While many sports analogies are appropriate in business, implementing Olympic-like competition within a workgroup can have many adverse consequences.

VI. REFERENCES


