

How to Create A Winning Team Incentive Plan

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This is the third in a series of posts on team incentive programs. I have focused on this because they seem to be rarely used in healthcare provider settings and this is a shame! I have successfully used them to get results that went far beyond the expectations of the organization.

The first post on this subject covered some of the advantages and disadvantages of team incentives and when they were appropriate. Next, we discussed five reasons that team incentives were either successful or not. These should be helpful in designing an incentive program that gets results.

Now we address the question of, "how do you build a team incentive program?" Here is a step-by-step guide.

1. Determine what you want to accomplish that requires team effort.

A team incentive plan should only be used when it requires team effort to get the desired result. Rewarding the entire team when the results were obtained by one person will not have a positive effect.

Team incentive plans are appropriate and most effective when used to obtain results that go beyond the normal expectations of the job. There is no reason to reward a team for simply doing their jobs well. Team incentives should be used when you want the team to obtain something more than the normal expectations of the job.

Let's look at two examples- one a project and the other a significant ongoing change in how work is to be done.

You are installing a new IT or EMR system. These projects are very costly and can take months to complete. A cross-functional team is created to manage the install, record migration, training, etc. Would a team incentive payment be appropriate

for serving on the team? Probably not. The members are already being paid wages and while they are performing project tasks, they are not doing their normal work duties.

A team incentive could be created for completing the implementation *early or at reduced cost*. The incentive should be for something that will have measurable value to the organization and it would be easy to justify that completing the project early or under budget has significant value.

The other example relates to improving the productivity of a work team. A hospital establishes productivity standards for all patient care departments. Should a team incentive be paid for meeting those targets?

Probably not. If the targets are in the benchmark range for peer organizations, I would not pay an incentive for achieving the same results other organizations are able to get.

A team incentive would be effective to motivate the work team to go *beyond the "normal" productivity standards*. An organization could provide an incentive for gains above the median or even outside the range. Clearly, achieving overall improvements in productivity will require a team effort.

2. Establish a key indicator that determines success.

There needs to be a quantifiable target that is understandable to the team. It should also be a stretch. A team incentive should not be paid for results that would be easily obtainable without the incentive.

If the IT project is projected to take 9 months to implement, a team incentive could be created for completing it within 8 months. Or, a sliding incentive could be paid for every week or month reduction in the project timeline.

When looking to achieve productivity gains, incentives could be created for achieving new targets. If a nursing unit has a target of 7.9 HPPD (hours per patient day), the target could be 7.3 HPPD. The other alternative would be to pay for a defined % of improvement.

3. Establish control indicators.

It would be real easy to reach the established goal if you could sacrifice other things like quality or patient satisfaction.

There are 3 factors critical to healthcare success: quality, satisfaction, and financial performance (in our case-productivity). Marketers and PR professionals would include reputation but I think this is usually an outcome of the first three factors.

It would be easy to achieve productivity targets if quality or satisfaction could be sacrificed. A nursing unit could achieve unbelievable productivity targets if you never checked on a patient, or assisted with ambulation, or had CRNAs pass meds.

We know that would be ridiculous and illegal. The point is that we need to set up some control so that achieving the targets must be done without negatively impacting either quality or satisfaction.

Here is a good way to look at this: Whichever of the three factors (productivity, quality, or satisfaction) you are trying to impact with an incentive program, you want to use the other two as a “control” to make sure that they are not adversely affected.

When implementing an incentive program to improve productivity, give the work team the target and also include what must be maintained with the control factors.

Example - In order to receive a payout, Nursing Unit A must achieve a productivity target of 7.3 HPPD, maintain a Press-Ganey satisfaction score of 92%, and no adverse change in quality.

If quality seems a little less measurable, it is understood that quality indicators would include significant increases in infection rates, patient falls, medication errors, employee injuries, etc. While these do not measure all aspects of quality of care, they were high level indicators of whether staffing is adequate or not.

4. Determine the incentive.

What will the reward be for achieving the target? Is it one-time or ongoing?

The reward needs to be significant enough to motivate the team but should not result in a net loss for the organization. In other words, the reward to the team cannot be greater than the gains the organization hopes to achieve.

Think **sharing**. My rule-of-thumb has been 50/50 split of the gains achieved. Here is why: a team incentive that works obtains results that management was not able to achieve otherwise. The team will be motivated by this sense of “partnership” and the 50% gain for the organization is a gift from the team!

Is the reward one-time or ongoing? In the case of a project such as IT implementation, the incentive should be one-time. It could be paid in installments for reaching certain milestones but would end when the project ended.

When looking at productivity, you want the gains to be permanent. You want the patient service to be provided in the future in a more productive (cost-effective) manner. Team members may not be too motivated to change work processes forever for a one-time check of \$100.

If the improvement is to be permanent, then it is my belief that the reward should be permanent. We used team incentive programs many times with great success to achieve increased productivity.

First, the team got a cash payout for each pay period in which the new target was met. This continued for 3-6 pay periods to establish that the team could consistently meet the new target. Then, the bonus was made part of their base pay and was considered “at-risk” pay.

This at-risk pay was in addition to the normal hourly rate and had a separate pay code. If the new target was not met during a particular pay period, then the team member did not receive this part of their pay.

When the team members had this added to their base pay as at-risk pay, then the team was given a new more challenging target. Several teams had the target increased 3-4 times and became quite highly paid.

The organization was winning also because it kept 50% of the gains.

5. Establish eligibility.

Who can participate in the program and is eligible for the incentive?

This may seem like a silly point as the project or work team seems self-evident. A project team is more easily definable as the membership is usually created from existing employees.

It becomes murkier when looking at a work team in a department or nursing unit. What about new hires? Will they be eligible from day one or do they need to complete the orientation period?

If employees return from leave or have been on vacation, will they be eligible for the payout? You may want to establish that employees need to have X number of worked hours during the measured period in order to be eligible, or pro-rate the payout. Payouts could also be pro-rated for part time employees.

Are employees on corrective action eligible for payout? It is possible that employees who have attendance problems are negatively impacting productivity or the project team performance.

All of these questions need to be determined prior to the implementation of the incentive plan. If you are willing to significantly reward the team, there will be a lot of interest and questions. You will save yourself from some serious 'HR headaches' by resolving these issues upfront.

6. Establish with Payroll how the program will work.

Whether it is one-time payouts or you are going to implement at-risk pay, Payroll needs to be involved. Not only will they not want to be surprised, they can provide input into how pay codes are created and managed.

Some methods of pay may apply to overtime calculation. If you incorporate at-risk pay, how will this be tracked? Does it apply to PTO, sick or vacation pay? HR needs to partner with Payroll in designing the actual payout structure, records, and policies.

7. Create a plan description document for the team members.

It is important that each team member understand the incentive plan targets, policies, and payout.

In my use of team incentives, we created a multi-page booklet for each team. For example, “The Physical Therapy Incentive Plan” included the plan description, eligibility rules, several targets with associated payouts, sample payout reporting form.

Each team member had a copy and understood what needed to be achieved in order to receive a payout, who was eligible, and how the payout was received.

It's that easy!

There you have it- 7 easy steps to creating an effective team incentive program.

Since I am addressing HR professionals, it goes without saying that this is all done in partnership and consultation with the team leader. HR does not create this in a vacuum and force it on the team.

The project team leader or work team management needs to own this to make it effective. They can't own what isn't theirs. Create a basic structure for team incentive plans and then modify it in collaboration with the team leader. HR can help that leader develop meaningful stretch targets and modify the eligibility as needed.

Team incentives when done right can help you achieve what individual rewards cannot.