

Incentives That Stick

Making bonuses & golden handcuffs work without back-firing

Goodhart's Law:

"When a measure becomes a target, it ceases to be a good measure"

Whatever the aim of your incentive is, there are ways in which it can go wrong. So first, you need to role-play & **understand all the risks & potential outcomes**

If your incentive is all about...	Then your main risks are...
Sales	Gaming the system by discounting, over-selling to customers
Retention	Disengaged 'hostages', exit disputes, morale impact, unfairness
Productivity	Quality trade-offs, health & safety issues, calendar manipulation
Culture	Pretence, entitlement, subjectivity, perceived unfairness
Alignment	Complexity/opacity, confusion, subjectivity, unfairness

Then once you understand those risks & outcomes, you **design for the real world**:

- **Decide if you need incentives at all:** just because everyone else has them, doesn't mean you have to. Focus on what's right for your business
- **Understand your one 'why':** Decide on the one job you want your tool to do (and don't ask it to do another one)
- **Simple beats complex:** If managers can't explain it (or if your scheme simply doesn't work), staff won't trust it
- **Deliverable > maximum:** A scheme that never pays out destroys credibility, so don't focus on or talk about "what you could win"
- **Few metrics, not more:** Every extra metric becomes another potential argument — and another opportunity for 'gaming'
- **Clear parameters (caps/floors/clawback):** Clear guardrails reduce volatility, manage expectation and avoid skewed/excessive outcomes for business & staff
- **Look out for cliff-edges:** People get jumpy or demoralised around big falls or increases. Smooth them out, be realistic on performance

And if you only remember one thing:

"If you can't easily explain it, don't do it"

If you'd like to chat any of the above through, please just get in touch:

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