

Want to motivate staff? Scrap formal bonus procedures

Submitted by: BlueSky Public Relations Ltd

Wednesday, 1 May 2019

Allowing managers to use their discretion when allocating bonuses helps to motivate staff, say Rebecca Hewett and Hannes Leroy of Rotterdam School of Management, Erasmus University (RSM).

The researchers examined how employees respond to their manager using discretion in deciding how much bonus to award them.

Their study focussed on actual bonuses given to office workers by a UK government-funded organisation which employed 733 staff at the time of the survey. They asked 155 staff to report their motivation levels shortly after receiving their bonus.

The results showed that employees who received a high bonus perceived to be based on their manager's discretionary judgement actually thought the bonus was fairer, and this increased their intrinsic motivation.

Hannes says: "Several Fortune 500 companies have already reported making a shift towards managers' using their discretion when allocating staff bonuses in recent years. This is because organisations are increasingly interested in creating work environments to encourage passion, purpose and engagement. These factors are about engendering intrinsic motivation – doing a job because it aligns with who you are and your core interests and values, rather than pursuing work-related tasks for extrinsic reasons."

The research also suggested that manager discretion is only perceived to be fairer and more motivating when employees benefit from it. For those who lose out by receiving less money, this discretion is seen as less fair and employees begin to feel a mismatch between themselves and the organisation.

Rebecca explains: "Performance bonuses should recognise employees' unique contribution to an organisation – yet this is difficult to execute using formal measurements alone. The research therefore highlights that bonus systems are, by nature, not put in place to treat everyone equally – someone always loses out. If your goal is absolute equality, then bonuses are perhaps not the best tool, but if your goal is to motivate the better performers, then allowing managers' space to use their discretion is a good thing."

The full article: Rebecca Hewett and Hannes Leroy, Well it's only fair: How perceptions of manager discretion in bonus allocation affect intrinsic motivation (<https://repub.eur.nl/pub/115742>), (2019)

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