

## **Incentives in Safety: Considerations for Leaders**

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### **Introduction**

One of the most pressing questions that organizational leaders have in safety is about the use of incentives. Do incentives really work at driving performance? Which ones should we use? How should we use them? These and other questions are not easily answered. Long used to motivate employees and reward participation and performance, incentives are both highly lauded and a source of frustration—sometimes even within the same organization. When well designed, motivation strategies can support high-performance behaviors. Poorly designed, incentives can inadvertently put the focus on the “reward” rather than on safety.

This talk is designed to cut through the confusion by examining incentives in light of proven performance management, behavior change, and organization development principles. Grounded in the presenter’s experience with hundreds of organizations across industry, this session helps leaders sort incentive myth from fact and gain the knowledge they need to make informed decisions for their own organization. Topics include:

### **Types of Safety Incentives**

Anyone concerned with safety improvement must at some point come to grips with the issue of safety incentive programs. Long an unquestioned part of “doing safety,” incentive programs have become embedded in the culture at many companies. At some sites, safety incentives sometimes become a virtual entitlement for the workforce and a “sacred cow” for managers. Even when that’s the case, there are compelling reasons to question the thinking behind traditional approaches to safety incentives and where they fit within an organization’s safety strategy. Specifically, are they effective safety management tools or useless gimmicks, or do they fall somewhere in between?

Generally there are three basic models of safety incentives that organizations use: outcome-based, behavior-modification (or participation) based, and feedback or recognition based.

#### **Outcome-based model:**

Traditional safety incentives are represented by programs that give workgroups tangible goods contingent on meeting or beating targeted outcomes, such as OSHA injury rate. When the rate for the incentive period is below a pre-identified level, the goods are distributed. When the rate is above the target, the incentive is withheld.

### Participation-based model:

Participation-based incentives, sometimes called behavior-modification incentives, use prizes, contests, or other draws to encourage participation in safety activities, for example attending a safety meeting. As with outcome-based models, behavior-modification models are transactional in nature, that is, “Do X and you’ll get Y.” The difference is that in the behavior-modification approach the prizes are usually smaller and they are given numerous times throughout the year for participation in upstream activities rather than for reduction in injury rates.

Feedback and Recognition Model: Contrary to both the outcome-based and the participation-based approaches, the feedback and recognition model focuses on appealing to employees’ intrinsic motivation in creating behavioral and safety change. Oftentimes this is done by engaging employees in meaningful safety activities where they are directly and indirectly involved in removing exposures to injury.

To consider the merits of each of these approaches, leaders need to consider them within the context of safety functioning generally. Safety outcomes result from the confluence of multiple factors, and it would be naive to expect any one system or tool to make up the whole of safety performance. At the macro level, the mechanisms that drive safety performance can be illustrated in the Blueprint for Safety Transformation. The five elements of this blueprint are:

- **The Working Interface** is the configuration of equipment, facilities, systems, and behaviors that defines the interaction of the worker with the technology. This configuration is where hazards exist, and safety excellence is directly related to how effective the organization is at controlling exposure here. Each of the other four elements plays a critical role in optimizing this interface for safe performance.
- **Safety Enabling Systems** are the basic safety systems or programs that assure adequate safety functioning. These systems include rules and standards, as well as training, hazard recognition and mitigation, and exposure reduction systems.
- **Organizational Sustaining Systems** are those processes that sustain enabling systems and assure their effectiveness. They include mechanisms such as selection and development, performance management, organizational structure, employee engagement, and other management systems. Effective organizations understand the relationship between the quality of their sustaining systems, their safety systems, and what occurs in the working interface. For instance, is the structure of the organization such that safety is given adequate emphasis? Does the performance management system meaningfully address safety leadership issues (not just through lagging indicators?).
- **Organizational Culture** refers to the driving values of the organization, “the way we do things around here.” Unlike climate, which refers to prevailing influences on a particular area of functioning and is quick to change, culture is deeply embedded and longer lasting. Effective safety practitioners look realistically at culture and identify issues that could undermine safety objectives. Cultural attributes such as low trust, poor communication, or mixed management credibility can neutralize even the best enabling and sustaining systems.
- **Leadership** drives both the culture of an organization as well as the functioning of enabling and sustaining systems. In this configuration, leadership refers to seeing the right things to do to reach objectives and motivating the teams to accomplish them

effectively. Safety leadership is exercised by decision making which is related to the beliefs of the leader and demonstrated by his or her behavior.

Given the complexity and breadth of safety drivers, at a minimum leaders considering or reevaluating safety incentive programs should ask:

- Does this method get at the sources of exposure to injury? (i.e., facilities and equipment, training and knowledge, awareness, and motivation).
- Does this method get at some of the basic organizational and cultural factors necessary for safety?
- What is the effectiveness on behavior change and on actual safety performance?

## **Incentives as Performance Drivers**

The first two types of incentives, outcome-based and participation based, are almost exclusively focused on affecting motivation, and they do so in a transactional way. Our experience is that these methods produce mixed results at best. Unlike recognition activities, which are used to acknowledge and celebrate safety achievements after the fact, transactional incentives are designed specifically to try and create those achievements. These incentives most often take the form of offering individual or group goods, merchandise, or cash contingent either on outcomes (such as incident frequency) or participation in safety activities. At the hourly employee level, particularly when the contingency is incident frequency, they can actually create more harm than good. Outcomes-based incentives reward me (or punish me) for things over which I have little control, such as the practices of a workgroup on another shift. Experience shows that such systems can discourage reporting of injuries, encourage the “creative classification” of incidents, provide weak feedback and reinforcement for safety activities, and create a sense of entitlement that taints the value of safety performance.

Even when the incentives are tied to inherently worthwhile activities (for instance, safety observations or hazard reduction), offering an exchange undermines the integrity of these activities over the long term. In effect, we are treating these activities as something extra, rather than as part of how work here is performed. In this case, the incentive stimulates the “mechanical” action (going to the safety meeting, performing the observation, etc.) without assuring that the activity is impactful or sustainable. The perceived reason for doing the activity shifts from the real benefit of the activity to the “reward” — and if the reward is withdrawn, there is no apparent reason left for continuing the activity. Using this approach, we create a culture where safety is trivialized, instead of one where safety is valued and an important measure of business on par with production or profitability.

Interestingly, safety incentives at the senior level can actually be effective to a certain extent; leaders are more often in control of the means to achieve outcomes and are ultimately responsible for them. Even there, however, transactional motivation can foster an overemphasis on tactical thinking. If I am measured and compensated on a specific metric (for instance recordable rates or workers comp cases), I am more likely to focus on that area to the exclusion of larger issues, such as the real values needed to be an effective safety leader. While it is desirable to hold leaders accountable to specific outcomes (and therefore send the message that their leadership in safety is needed), relying on these measures alone misses an important opportunity to motivate leaders at

an intrinsic level.

Ultimately, transactional motivation is unsatisfactory because it fails to address the fundamental motives that drive engagement in any work activity. As pointed out by Herzberg and others, the most important work-related motivating factors do not have to do with pay, benefits, or other external elements. These things are important, but providing them actually only brings the organization to a neutral position. What is most important to driving interest in work performance is achievement, recognition, and the work itself. Financial and other tangible incentives, while potentially compelling in the short term, do not appeal to this drive for the long term; by themselves, they cannot generate motivation on a personal level.

In our experience, the more effective method of motivation is the engagement of the employee, leader, or group in the actual process of improving safety. Engagement motivation focuses on getting people at each level connected to the safety processes of the organization, having them feel ownership and involvement, and being actively doing things on behalf of safety improvement. The employee is connected to the work on a personal level.

Engagement motivation is the connection between the multi-levels of the person — the intellectual, emotional, creative, and psychological — and the work they are doing. The most effective way to do this is to involve them, to give them actual responsibilities in making the mechanisms and process work. Most organizations learned this lesson in the '80s and '90s doing quality improvement. But as other changes became necessary – new leaders, new technology, new challenges –the lesson was lost to many. We have seen this lesson reemerge particularly in multi-site safety interventions where the engagement of employees catches the attention of both leaders and individual contributors. Ironically, this involvement could well have been lost because it requires so much time from employees – time no one has. But, like physical exercise, doing more ends up being less. As the body gets in shape, new energy emerges.

## **Organizational and Cultural Factors Essential to Safety**

Culture, or “the way we do things here,” is the major differentiator between good performance and great performance, and leaders serious about improving safety often look to improving the culture. Perhaps surprisingly, the success of safety efforts depends more on perceptions about some basic aspects of organizational life than on perceptions specific to safety; e.g. improvements in safety at the front-line level depend more on workers’ perceptions of how they are treated by their supervisor than on perceptions of the importance of safety in the organization. Of the several culture dimensions critical to high performance in safety, the scales belonging to the organizational dimension are the most fundamental to setting the stage for engagement:

- **Procedural Justice** reflects the extent to which the individual perceives fairness in the supervisor’s decision-making process. Leaders enhance perceptions of procedural justice when they make decisions characterized by consistency across persons and time, lack of bias, accuracy (decisions are based on good information and informed opinion), correctableness (decisions can be appealed), representativeness (the procedure reflects the concerns, values and outlook of those affected), and ethicality.

- **Leader-Member Exchange** reflects the relationship the employee has with his or her supervisor. In particular, this scale measures the employee's level of confidence that his supervisor will go to bat for him and look out for his interests. Leaders can enhance perceptions of leader-member exchange by developing positive working relationships with their reports and getting each person to see how achieving organizational goals is fulfilling to both the leader and to himself.
- **Management Credibility** reflects the perception of the employee that what management says is consistent with what management does. Leader behaviors that influence perceptions of trustworthiness include consistency, integrity (telling the truth, keeping promises), sharing control in decision-making and through delegation, communication, and benevolence (demonstration of concern).
- **Perceived Organizational Support** describes the perception of employees that the organization cares about them, values them, and supports them. The extent to which employees believe the organization is concerned with their needs and interests strongly influences their likelihood that they will go the extra mile. Leaders can demonstrate organizational support by effecting and communicating efforts that go well beyond what is required.

Three of these factors (Leader-Member Exchange, Management Credibility, and Perceived Organizational Support) can be understood from social exchange theory. This theory says that important aspects of relationships (between individuals, or between an individual and a group) can be viewed as a series of exchanges or interactions in which the principle of reciprocity plays a central role. For example, if an employee is treated with dignity and respect and offered support by his or her supervisor, the likelihood increases that the employee will reciprocate: job performance, extra-role behavior, and loyalty will tend to increase. On the other hand, if the worker feels demeaned or disrespected, he is much less likely to fully engage in the work.

Clearly, extrinsic incentive programs will have little effect on the core cultural attributes that drive safety performance.

## **Best Practices for Motivating Great Performance**

So what can leaders do to actually drive the kind of performance they are looking for? Keeping employees safe requires putting into place reliable systems that are operating well and used consistently across the organization. Employees must communicate and collaborate with each other, across departments, between shifts—even when their immediate interests may be in conflict. Keeping employees safe must be a value held in common by the culture of the organization. This culture, or “the way things are done around here,” is largely determined by leaders and inherited or received by workers.

Who the leader is (her personality and values) sets the foundation for how she influences (her style), and what she does (her practices). Leadership practices shape the organization's culture, which, in turn, shapes safety results. As a beginning, leaders can begin with a few practices:

1. **Understand what incentives you are using and why** – Know the difference between the different types of incentive programs you are considering, how they work, and what you can realistically expect from them.
2. **Establish a context for safety actions** -- Don't make people guess about why safety activities and systems are important. State their importance clearly — and follow up your words with actions.
3. **Align organizational consequences with values and beliefs** == Employees take their cues from you. Consequences (e.g. rewarding high production achieved through safety shortcuts) that don't match professed convictions (e.g., that safety is important) make values and beliefs a dead letter.
4. **Apply the right solution to the problem** -- Avoid simplistic solutions for complex problems, e.g., the use of trinkets or threats to try to change behavior and culture.
5. **Focus on culture** -- Change is sustained only when it becomes “the way we do things here.” Work at creating a culture that supports safety activities and safety improvement – and communication of important safety information even when it is unfavorable.

## **Building a Better Safety System**

Organizational safety performance is not an individual, cut-and-dried commercial transaction. Instead it is a group achievement — and an ongoing achievement, at that. Given this important difference, we should not expect simple commercial incentives, specifically those that are extrinsic and transactional, to have a deep or lasting effect on safety performance. Leaders who look to the big picture of safety performance will find that it is engagement, rather than prizes, that supports optimal safety functioning.