

Top Tips: Developing Bonus plans

- First check what is the ultimate aim and consider if a bonus is the right solution.
- The last stage in developing a bonus plan is designing it. Think about it like decorating a room; it's all about the preparation.
- The first thing to do is consider the roles carefully. What do you really want people to do? What does success look like?
- Almost no one can achieve results on their own, so consider carefully if it should be an individual or team plan.
- Measures may need to be qualitative as well as quantitative "Counting the number of words in a poem or weighing a statue will not help you appreciate their value".
- Consider horizontal and vertical relationships. What do the bonuses of others above them or with whom they work do?
- What is the context within which the bonus is meant to help?
- Bonuses do not manage for you.
- What is the time span over which the individuals or teams make an impact? Align the bonus pay-out to that time scale?
- You must be able to answer the question, 'what is basic pay for and what is bonus for?'
- Consider if a non-cash programme would work well. They can make a particularly big impact for short term incentives.
- Look up Expectancy theory (Vroom), which is the main motivation theory seen to support bonuses.
- People will do what the bonus targets, so be really sure that is what you want.

More detail can be found on each of these topics in my book *Reward Management*, published by Kogan Page, May 2022.