

How do you know if your bonus plans are really working? Hot on the heels of the major research piece we commissioned last year into bonus plans and their success – or otherwise – we had the chance to put our academic research to good use with Random House.

Random House are one of the biggest publishing houses in the UK today, with well known and successful authors such as Ann Tyler, Ian McEwan and Andy McNab. They have a proud history of discovering fantastic new talent such as Mark Haddon ('The Curious Case of the Dog in the Nighttime') and Dan Brown ('The Da Vinci Code'). They have weathered the downturn faced by all publishers with the reduction of high street book shops and the rise of cheaper outlets such as supermarkets and online retailers like Amazon.

However, with a few good years under their collective belts, it was time to review how successful and effective their different bonus schemes have been, and to establish whether there were any changes of direction needed for the future.

Innecto became involved to add independence and credibility to the process, and to bring some external perspective. Our overall approach was based on four key principles of successful bonus design:

1. Identify the key drivers which make a difference to business performance.
2. Develop a system of measurement for these metrics.
3. Design a plan which modifies employees' behaviour to focus on achievement of these performance metrics.
4. Make payments based on agreed performance.

At Innecto, our perspective is that is all four of these key elements together build a thriving bonus scheme. Without clear evidence that the bonus plan motivates employees, and directs their efforts to achieving key business drivers, we believe any organisation is not receiving the return on investment in bonus that could be possible. We outlined a project plan with Random House which covered some of the following activities:

- Investigation of current bonus practice in competitive markets (other publisher competitors, wider media organisations), and broad industry trends/market practice which may impact our thinking.
- Identification of case studies on effective bonus schemes to illustrate key points for discussion.
- Establishment of key business drivers.
- Engagement of employees through focus groups/questionnaire to discover their views and aspirations in terms of bonus.
- Analysis of findings and development of strategic recommendations and approaches to new bonus development.
- Outline the options for transition to the detailed design phase.

And the results? While client confidentiality precludes us from sharing the detail, we have since worked with Random House on further developing their reward offering and dynamics.