

Team AMPLIFIED

*Review and Analysis of  
Performance-Based Cash Awards*



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Advanced Management Program

Team 5

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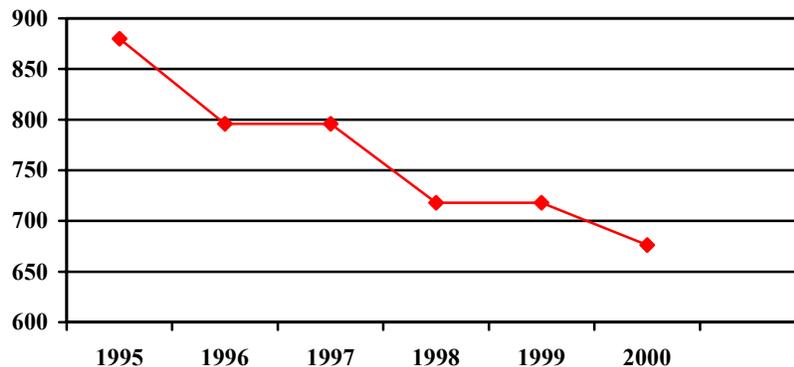
**Introduction:**

The Department of Defense (DoD), like all federal government agencies, is seeking ways to maximize performance while controlling or reducing costs. The Government Performance and Results Act (GPRA) of 1993 discusses the need for agencies to become more "results" oriented. The challenge is "do more with less." Our research focused on the Performance-Based Cash Awards criteria and process. We believe there are opportunities to optimize organizational performance within DoD through more effective execution of the Awards Program.

**Background:**

"In an era marked by significant personnel cuts in the DoD (see Figure 1)), agencies must now find the right incentives to help employees achieve desired organizational results" (GPRA 1993). Accordingly, the demand for optimal performance becomes more critical.

**REDUCTION IN DOD CIVILIAN WORKFORCE  
1995-2000 (thousands)**



**Figure 1**

The governing directive for civilian personnel management within the Department of Defense (DoD) is Instruction 1400.25-M, Department of Defense Civilian Personnel Management System. The DoD Civilian Personnel Manual implements policy and establishes uniform DoD-wide procedures, provides guidelines and model programs, delegates authority to the lowest practical level, assigns responsibilities for performance management, and sets forth the DoD performance appraisal system. DoD policy also mandates that performance management programs be designed and used as tools, and all DoD Components are required to comply with this directive.

The intent of the awards program is to (1) Drive organizational behavior, (2) Drive continuous improvement, (3) Make employees stakeholders. Additionally, the "Awards" program aims to acknowledge, motivate, and reward *significant* individual, team or organizational achievements and contributions. To accomplish these objectives, DoD has established the following awards:

- a. Special Act Award: A monetary award used to recognize exceptional accomplishments, such as an outstanding achievement, and may be given at any time.
  
- b. On-the-Spot Award: A monetary award designed to quickly recognize and provide immediate reinforcement of one-time achievements by employees that have resulted in service of an exceptionally high quality or quantity.

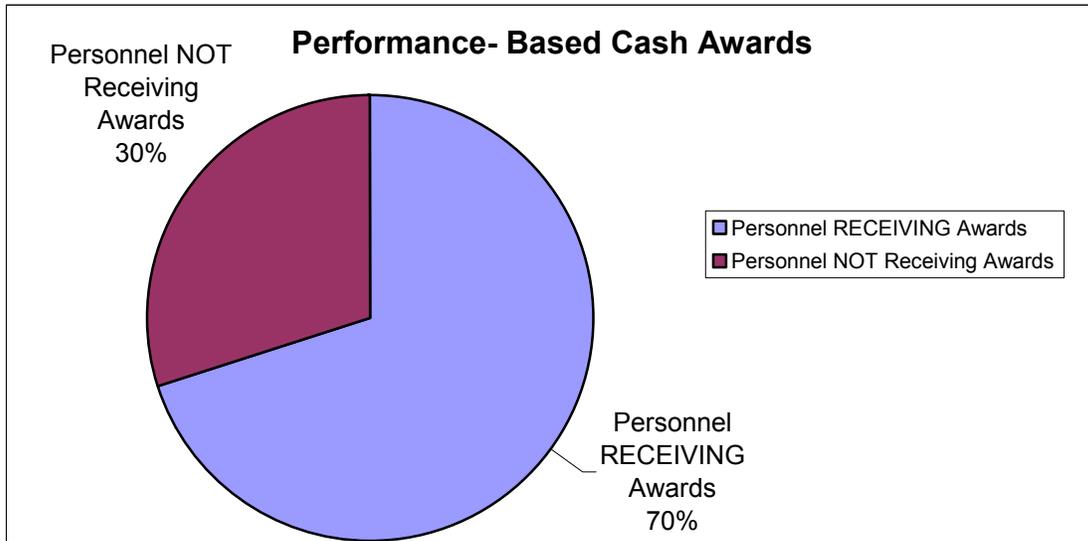
- c. \* Performance-Based Cash Award: Granted to employees for sustained performance for individual, team, or organizational achievements of high quality, significantly above that expected at the "Acceptable" level during the rating period. {Award cannot exceed 10% of annual basic pay}.
- d. Quality Step Increase: Provides appropriate incentives and recognition for excellence in performance by granting faster than normal step increases. An employee is eligible for only one QSI within any 52 week period.
- e. Time Off Award: An alternative and/or additional means of recognizing superior accomplishments of achievements.
- f. Other Non-monetary Awards: Honorary Awards and informal recognition awards which are not a cash payment or time-off.

Awards when properly granted create a work culture and environment that promotes high-performance, high morale, and high organizational involvement. However, after having conducted a sampling of different DoD activities we were faced with evidence that indicates that the execution of the Performance-Based Cash Award does not distinguish between performance "significantly above that expected at the "acceptable" level during the rating period" (criteria identified for Performance-Based Cash Award) and average



performance. The table below, which contains data from our sample population, indicates that 70% of our civilian workforce is recognized for Performance-Based Cash Awards. Out of 2395 in the sample population, 1675 employees received awards (figure 2) for performing "significantly above that expected at the "acceptable" level during the rating period."

**PERFORMANCE-BASED CASH AWARDS DISTRIBUTION**



Total Personnel	Total Performance-based Cash Awards	Percentage
2395	1675	70%

**Figure 2**

We suspect this trend is intensified by inconsistent management practices of not monitoring, evaluating, and

fully justifying performance ratings and subsequent awards. As a result, average performers perceive the performance award as an entitlement instead of recognition for superior performance.

**Discussion:**

Current regulations give managers, supervisors, and employees sufficient flexibility to jointly develop and design award programs that better align with organizational goals. However, change may be necessary in the execution of the DoD Awards Program as it relates to the Performance-Based Cash Awards. This change, may be in a form of oversight or policy, if implemented, will realign performance awards with organizational goals, recognize and reward employees for superior performance goal achievements and hopefully motivate the average performer resulting in increased efficiency and effectiveness.

Unless, the performance evaluation system contains criteria to clearly distinguish between average and superior performers, a general feeling of "entitlement versus recognition" prevails.

This proposal may challenge managers, directors, and supervisors to better align award programs with DoD and component organizational goals aimed at improving overall performance and cost efficiency. To effect this proposed change, awards should be custom designed to meet the needs of unique circumstances of individuals or teams. We propose



that agencies will be recognized for the increased use of non-monetary and time-off awards with the objective of limiting monetary awards to only those that are truly exceptional performers.

**Implementation Strategy:**

Current organizational culture regarding the DOD civilian employee Performance-Based Cash Awards will make change difficult. With this in mind, the following actions relative to the awards program can bring about positive change:

1. The Performance-Based Cash Awards should only be issued to those employees that truly meet the established criteria. This can be done by developing standard criteria, that distinguishes between "Acceptable" and "Superior" performance.
2. Increase use of non-monetary awards/recognition.
3. Reinvest any savings to support training for employee individual development plans (IDPs).

**Summary:**

In conclusion, changing the current awards program, will promote better individual performance and may allow additional funds to be applied to training for employee Individual Development Plans (IDP).



**APPENDIX A**

REFERENCES

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