



Self Check

Check Your Knowledge Of This
Section

Answer these questions to check your knowledge of what's covered in the Measurement Series. An Answer Key follows the questions.

True or False?

1. T F The *PIBI Model* seeks to identify and describe only those elements that are universally relevant to the introduction and implementation of incentive systems. According to the model, that form of incentive with the greatest value (or utility) will ultimately lead to the greatest performance gains.
2. T F According to the *PIBI Model*, unrealized work goals are caused by three factors. These include work goal avoidance, unclear or unchallenging goals, and goals that lack specificity.
3. T F Work goal avoidance, unclear or unchallenging goals, and goals that lack specificity are considered to be specific areas that incentive programs help mitigate.
4. T F There is evidence that when incentive systems are assigned to employees, they demonstrate greater performance gains than when they participate in the design of the incentive program.
5. T F Most people perform their own cost-benefit analysis on all new task requirements: In order for the incentives to be effective, the incentive must be appealing and more than make up for working longer, harder, or smarter. This is the concept of "Task Value."
6. T F Skill or Importance Value is a person's perception of how significant the task is to him/her. People tend to value work more when the successful completion of work goals requires their strongest skills.
7. T F *Agency* has to do with our beliefs about whether the organization will adequately support our goal performance and/or provide the incentives promised in a fair way.
8. T F *Real ROI* is a term that distinguishes two types of ROI. Real ROI strives to determine what other factors, anticipated or unanticipated, come into play, such as the economy or competitive factors.
9. T F An example of Real ROI is: The program cost \$100,000; performance went up by \$200,000, the return on investment was 100%.
10. T F Findings from a study produced by WorldAtWork, formerly the American Compensation Association, found that non-cash awards provide a three times better return on investment when compared to cash programs.

11. T F Price cuts, increased advertising, improved market conditions, and other factors may have had a role in a sales increase. This makes it difficult to definitively say (for example) that a sales increase was due to a salesperson's efforts alone, because there may have been extenuating circumstances. This is known among industry experts as "efficacy."
12. T F SOX legislation applies to publicly traded firms with a minimum market capitalization of \$75 million. The act's purpose is to raise the standard of corporate governance and financial disclosure.
13. T F The Sarbanes-Oxley Act does not address incentive plans directly and does not legally apply to private companies.
14. T F The SOX legislation does not mean that incentive programs are likely to become line items on corporate financial reports, but that companies subject to SOX are likely to become more demanding about justifiability, record-keeping and reporting throughout their organizations, especially as it pertains to undisclosed incentive payment in the form of cash or non-cash awards.
15. T F Because properly designed incentive programs can have a clearly demonstrated ROI, all SOX does, in effect, is obligate public companies to take these programs more seriously. That means designing programs based on measurable best practices.
16. T F Research shows a clear link between job satisfaction and performance.
17. T F SOX, in fact, has created an additional need for incentive and recognition programs to help draw organizational attention to new corporate standards of reporting.
18. T F The types of information tracked by companies include psychological/personality and job satisfaction tests, absenteeism, turnover, performance evaluations, sales measures and customer service. Many of these measures can be used to evaluate the effect of incentive programs.

Fill in the blanks

19. Based on one of the readings in this section, there are two primary areas having an impact on why motivation programs are not always measured and reported in terms of actual ROI. Checkmark these two reasons.
 - Perceptions of Value
 - Causality
 - Efficacy
 - Measurability
20. SOX requires companies to perform certain accounting practices. Check all that apply.
 - Create and maintain internal controls and processes for financial reporting
 - Provide for full disclosure on any material changes in their financial condition or operations
 - Set up procedures for detecting fraud
 - Ensure financial records are complete and up-to-date

21. Article 4.7 “*Tracking The Long-Term Impact of Incentive Programs Using Readily Available Employee Data*” (published by The Incentive Research Foundation) stated certain key requirements for long-term measurement. Check all that apply.
- Psychological/personality tests are useful for incentive programs
 - The incentive program should be measurable on a long-term basis
 - Benchmarking past incentive programs will be useful
 - Make measurements flexible
 - Keep components consistent
 - The information should be in a numerical format.
22. According to the *Master Measurement Model*, all analyses should include certain vital elements to gauge progress, referred to as a “Family of Measures.” From choices A-E, fill in the corresponding blanks.
- | | | |
|--------------------------|--|--------------------|
| <input type="checkbox"/> | Numbers from a previous time period. | A. Base Data |
| <input type="checkbox"/> | New numbers from the current period of the same length. | B. New Data |
| <input type="checkbox"/> | The percentage change. | C. New/Base |
| <input type="checkbox"/> | The amount of importance of the measure to the final result. | D. Weighted Result |
| <input type="checkbox"/> | The relative importance of the change. | E. Weights |

Now turn the page to check your answers.



Answer Key

Self Check Answers

-
1. True
 2. True
 3. True
 4. False
 5. True
 6. True
 7. True
 8. True
 9. False
 10. True
 11. False
 12. True
 13. True
 14. True
 15. True
 16. True
 17. True
 18. True
 19. Causality, Measurability
 20. All apply
 21. All Apply
 22. A. Base Data: Numbers from a previous time period.
B. New Data: New numbers from the current period of the same length.
C. New/Base: The percentage change.
E. Weights: The amount of performance of the measure to the final result.
D. Weighted Result: The relative importance of the change.