HOW TO DESIGN A SUCCESSFUL INCENTIVE PLAN

In my opinion rewarding top performers is vital in keeping the energy and enthusiasm high within any company. I am often asked to speak on this topic. The controversy is often over those that are in a support position rather than in direct customer contact and is the program fair? My response is “the world is not always fair.” Ideally, in every company you want to give everyone an opportunity to apply for and succeed in different positions. Often employees choose a support position over the front line. If employees complain that only the direct customer contact positions are incented, encourage them to prepare for, and apply for a front line position themselves.

If you are planning to develop an incentive program for your company form a task force with representatives from varying departments including support and frontline representatives. The more communication you have from the beginning the better the end result will be. **The number one principle in leadership is… you get what you reward!** So a well planned, defined and executed incentive plan can make all the difference for your company.

1) Determine who you wish to incent. In some companies every employee receives some form of incentive compensation. In others it is simply the frontline employees who have direct customer contact or one can measure their direct contribution to the bottom line. Determining who will be part of the program is a fundamental step.

2) Determine what products or activities you wish to promote with the incentive plan. Profitability is a key deciding point in this question. Many companies will change products depending on seasons, training topics, or a variety of “behind the scenes” reasons. If the principle is “you get what you reward” then product sales will follow the incentive plan.

3) Determine what constitutes a qualified referral. It’s seldom a sale is made from start to finish by any one individual. Referrals become an important part of any incentive program as you are able to reward all contributing members of a team. In many cases an individual may identify the opportunity then refer it to the individual who would actually complete the sale. The ideal program...
rewards both the referring party and the closing party. In this way a referral program and incentive program can actually foster a stronger team environment.

4) Do you want a time frame of customer retention as part of the qualifications? In a pure retail environment when a sale is made incentive follows. However in many companies where a relationship is involved, customer retention and the length of time they stay with an organization becomes a factor to be measured. I have personally seen a variety of time frames from one month to one year in this equation.

5) Determine eligibility. This is without question one of the most important factors in any incentive plan. Is there a threshold to meet? Will there be minimums as part of the program? Minimum sales to qualify for example? How do part-time employees participate? In many companies it's on a pro-rated basis determined by the number of hours or days they work in a given week. Is product knowledge a factor? I think it should be. It’s to no advantage to have someone on the front line who does not know your products. So a minimum standard of product knowledge can be put in place to ensure a level of professionalism from your sales team. Is length of employment a factor? Many companies will set a 3, 6 or even 9 month requirement of employment prior to incentives being given.

6) Communication. How will the plan be communicated? Communication needs to be throughout an entire company regardless of who all is to receive incentives. Incentive affects a culture of a company and therefore all representatives need to be informed and supportive.

Common Sense for Incentive Programs.

Determine the goal. What is it you are trying to accomplish? Is it simply to increase sales? Could it be to improve product knowledge? Is this a morale booster? Could it be to encourage team building and communication? There are so many factors. Before you start, the end result and goal should be considered. Establish the audience that will be participating.

Outline a strategy and establish a budget. These are all important factors in how a plan is to be designed. In some cases there is a predetermined amount of incentive compensation set at the beginning of the program. In other cases, each accomplishment is compensated knowing that it represents incremental sales.

Will there be prizes as well as rewards? Many times the prize becomes more of a “trophy” or a representation for a job well done and it’s appreciated more then actual dollars and cents. Recognition is rated as the number one factor in employee retention.
Measure performance against a base line. You need to know where you are when you begin a program in order to measure the results from that point on.

Always evaluate each step along the way of your incentive program. Measure as you go, not at the end. When you only measure at the end of any program it is now a point of history and nothing can be changed. So measurement and communication along the way is paramount.

Here are some questions to help you evaluate your program.

1. Did it succeed, by how much, and by what measure?
2. What additional benefits were received such as higher morale or improved communication?
3. What prizes were most motivating? (A good planning tool for prizes is to ask in advance. Ask staff what they would like to see for rewards and recognition.)
4. Did morale improve, and if so how was it measured?
5. What type of challenges did you encounter? (With any incentive plan there will be challenges.)
6. Was the program long enough or too long?
7. What would you change or do differently next time?
8. What part worked best?
9. Who were the most effective?
10. Who were the least effective?
11. Did you receive value over all?

If the number one principle in leadership is “you get what you reward”, your company should surely benefit from an incentive program. Here’s wishing you success…

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