



## The Business Case for Incentive Programs

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**As each corporation pursues increased profits, sales and shareholder value, it launches strategies that will assist it in reaching these goals.** Fundamentally, every corporate goal can be categorized under the objectives of making money, saving money or making the company (or an entity) “look good.” Incentive programs are a tool designed to support corporate initiatives by positively affecting the behaviors of people whose activities will positively affect the financial performance of the company.

With salaries/wages being the largest line item of an operating budget, people become the focus of corporate performance based on their ability to influence results, output and outcomes. The collective activities and attitudes of the people in an organization create its culture. Organizations with the ability to align an individual’s activities and attitudes with the organization’s goals will increase their financial performance. However, left unto itself this is not an automatic process.

A recent survey by Hudson Institute and Walker Information found:

- 56% of employees surveyed said their employers failed to show any concern for them
- 45% of employees said their companies failed to treat them fairly
- 41% of employees said their employers failed to trust them

As a result, only 24% of employees are “truly loyal” to their employers. This is a staggering statistic. Every CEO struggles with questions such as how to manage talent, how to increase and retain the intellectual property of its organization, how to transform employees into “brand ambassadors,” and how to create horizontal systems so that “siloed” departments work together to achieve common goals.

Incentive programs are an excellent means of influencing individuals, teams and departments to align with the corporate mission and marketplace demands.

According to the Institute for the Study of Business Markets and the Business Marketing Association Brand Consortium:

“Business markets are rapidly becoming more of a dialogue between the seller’s whole firm and the buyer’s whole firm. The experience of your brand is not strictly the realm of market communications, or the sales or “front line” personnel in your firm. B-to-B brands are built and sustained by a myriad of contacts and across many channels. Lining up your entire firm around your brand footprint is becoming a crucial element in building brand value.”

They go on to say,

“Internal Marketing’ programs should not be simply motivational programs. Behavioral changes are needed, and this requires policy changes, new compensation plans, new employee evaluation systems, and measurement of key metrics that management has deemed significant.”

An incentive program should have a “family of measures” or activities to track so that the proper outcomes are achieved. Too often a single metric, such as sales revenue, can drive “bad”

behavior which might be seen in selling a client something they don't need, just to close the deal. Research has shown that:

- Effectively structured programs can increase performance by up to 44% in teams and 25% in individuals.
- Non-financial measures can impact the bottom line.
- There is a direct link between employee motivation and organizational performance.
- Employee attitudes have major impact on customer retention.
- Employees have major impact on customer trust.
- Employees make a substantial impact on repurchase loyalty.
- There is a direct link between turnover and motivation.
- High-performing companies are more likely to use incentive programs for customer contact employees.

Incentive programs focus people on what is important. It is a way to connect the people making a business promise in the field, to the people who deliver and service that promise. It unites all the efforts and priorities. It fosters communication, supports decision making and recognizes achievement.

Incentive programs or "people performance management systems," in their truest purpose, take a holistic view of managing people. They meld the efforts of individuals toward a collective good, yet reward specific defined performance. They provide senior leadership with analytics regarding the program's impact on the company, provide a level playing field for middle management to interact with their employees, and provide something tangible to each employee based on their productivity.

There is "something in it for everybody."

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