



Effective Employee Incentive Programs

Bring Out The Best In Your Firm

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An incentive program is a planned activity designed to motivate people to achieve predetermined organizational objectives. In other words, it is a planned activity to encourage people to do what it is you want them to do.

In the accounting industry, many firms have the standard commission type structure paid to employees for bringing in new business and cross-selling services to existing clients.

Other incentive programs are activity based programs that are geared toward reaching firm goals—increasing business development activities, improving communication, and developing marketing cultures within firms, for example. Professionals are rewarded with money or merchandise for reaching a predetermined set of goals.

Benefits of conducting an incentive program within an accounting firm can include an increase in sales, improvement in the development of relationships, improved client service, the building of client loyalty, increased client retention, improved employee morale, building employee loyalty and trust, improved communication between departments and service groups, and the fostering of teamwork.

The Structure of An Incentive Program

There are generally three basic ways to structure an incentive program:

Open-ended- this type of program allows anyone who reaches a specific goal to earn a reward. The standard structure for an open-ended program is to give each professional a specific goal, such as to conduct ten business development activities a month. The open-ended approach generally gets better results since it gives you a better chance of motivating the 60% of the people in your firm who generally function at average, but not exceptional levels.

Closed-ended- this type of program structure allows a predetermined number or a percentage of people to qualify for rewards. For example, in a closed-ended program, a firm might establish that only the top ten participants would qualify for a reward or only the top 10% of achievers would qualify for a reward. Closed-ended programs are not as effective as open-ended programs because they tend to reward only the top performers who, more than likely, would have performed well in the program anyway.

Plateau Program- This type of program offers rewards at different performance levels. For example, a staff accountant may have three different goal levels, appropriate for his or her staff level, to work towards in a program year. The benefit of this type of program structure is that it motivates people to push themselves a little harder when they become close to achieving their next reward increment.

Understand the lifestyles and demographic make-up of your staff.

Before developing an incentive program, it is important to understand your firm's culture so that you can tailor your program and the rewards accordingly. Conduct a survey to poll employees for their preferences. Find out what your employees value and what motivates them. Understanding the lifestyles and demographic make-up of your firm's professionals is key to the success of any incentive program. Each generation perceives the value of a gift or reward differently. Keep this

in mind when selecting incentive pay, rewards, and how people are recognized for their achievements. The reward choices should provide enough options so that something is appealing to everyone. They should also be quick and easy to administer.

Cash isn't always king!

It may seem surprising to learn that cash isn't always the best incentive. People feel less comfortable talking about a cash award than a nice plaque or non-monetary award. Non-cash awards are more likely to be remembered. Many times, employees will spend cash awards on incidental items or to pay off household bills. If you asked them a year from receiving the monetary award what they spent it on, they probably wouldn't be able to recall. Employees also view monetary rewards as compensation and after awhile, feel that they are entitled to them regardless of the effort put forth.

Recognition is An Important Component of Any Program

Recognition is defined as "acknowledgement and approval, gratitude." It is an important component of an incentive program. When employees realize that their contributions are an important part of a firm's success, they are more likely to embrace the goals and objectives of the firm and its incentive program. Recognition can take many forms from announcing achievements at firm wide meetings to handing out certificates for reaching certain milestones. The value of recognition cannot be overstated. Recognition drives everything and can foster goodwill, recognize goal achievement, boost morale, reinforce positive behaviors, and promote teamwork among members of a firm.

Obtaining Buy-in

When planning an incentive program, the first step is to obtain buy-in from the managing partner, other partners, and employees.

Incentive programs are an important part of the psychological gratification of the professional and, therefore, need to be associated with the top management group. At the very least, include comments from your managing partner in promotional materials to participants.

Form a Taskforce to Plan the Program

When planning a program, form a taskforce of representatives from all levels of staff. Surprisingly, they will set tougher standards than a marketing director would. Yet, because they are members of the rank and file, staff usually respects their decisions. As the program progresses, your taskforce will be your internal sales team when pitching the program to staff.

You risk the exact opposite when the marketing director or executive committee creates the program. This is not to suggest that guidelines should not be tied to legitimate firm goals. As part of the task force, make sure you guide them and include this important consideration in your proposal to your management group.

The task force's job should be to work on the goals and objectives of the program, theme, promotional items, reward systems, and ROI measurements. Openly discuss everyone's concerns. Pay special attention to the obstacles that they see and their suggestions on what to do to overcome these obstacles. Vote on changes to the program and make sure the changes reflect the opinion of the majority of the taskforce members and not just a specific group, the managing partner, or marketing director.

Involve the taskforce in the program design, introduction, implementation, maintenance, and promotion of the program. They will take ownership and pride in the program if they have an

active role in creating and promoting it. A successful incentive program requires teamwork—make your taskforce an integral part of your business development efforts.

Develop a Clear Set of Goals & Objectives

The most highly motivated groups are those that have clearly defined goals. To motivate staff, set goals for every staff level that participates.

Design a program that reinforces the “real” goals of the firm. Many firms will talk about a specific goal but go on to design an incentive program predicated on something else. For example, a firm may kick off a contest by telling professionals that they want to build a stronger marketing culture and that the expectations are that they want people to become more involved in business development by trying marketing activities that they feel comfortable with. Then the incentive program is rolled out and the incentive measurement is on revenue generated for a certain time period. This usually happens because it is easier to evaluate revenue growth rather than an intangible like building a marketing culture. Don't take away from the future in order to produce good, short-term results.

Goals should be realistic, achievable, and sincere. This is the key to building credibility for your program.

The incentive program objectives should contain four critical elements:

1. The desired activity or “what you want them to do.”
2. The units of that activity that will be measured or “how they will do it.”
3. The expected performance level or “goals for individuals or teams.”
4. The time allotted to achieve the performance level or “how long they will have to work towards their goals.”

Regardless of an employee's staff level, they should have an equal opportunity to achieve their goals. Don't use the same contest guidelines for managers as you would staff accountants, for example. Early on, a staff accountant is learning how to become a good business developer. The units of activity that would be measured for the staff accountant should be tied to the quality and quantity of his or her efforts as well as successes.

Designing an incentive program on the assumption that a staff accountant can successfully perform the same activity as a manager, will likely have a negative effect on their attitude toward business development later on in their career. He/she might not have the skill set to call on a prospect yet. Make sure that everyone has an equal opportunity to achieve.

Factors to Consider

- **Cost vs. Desired Results:** Determine how much the firm is willing to spend to achieve the desired results. Management should view the incentive program as an investment in achieving the goals and objectives outlined, not an expense.
- **Timing:** Timing is critical to the success of your program. Kicking off a new program during tax season could be difficult.
- **Length:** The length of the program is important as well. A study for the Forum for People Performance Management and Measurement (Northwestern University) found that long-term programs outperform short-term programs. The study found that programs that ran for a year or more produced an average 44% performance increase, while programs running six months or less showed a 30% increase.
- **Individual or Team Effort:** Decide whether the participants will work in teams, as an individual or both. In a study done in 2003 by the International Society of Performance Improvement entitled “Incentives, Motivation, and Workplace Performance,” it was found

that properly constructed incentive programs can improve performance by as much as 44% in teams and 25% in individuals. If you decide to run a team based program, make sure that each team includes participants from all staff levels, everyone feels they have an investment in attaining the team's goals, and each individual has a chance to be recognized for outstanding achievement.

- Good Appeal/Perceived Value: Make sure the structure you choose appeals to a majority of your employees and everyone knows "what is in it for me."
- Disqualification: No one wants to disqualify a person from participating in an incentive program. It is advisable to have a review board to determine what is acceptable and what is not. By having a review board, you reduce favoritism and increase the fairness of the program.

Determine Your Budget

A successful program pays for itself. Determine your budget and the criteria to tie it back to your expected return on investment. Budget for incentive costs, the number of participants, the promotional costs of educating and motivating employees, and the administrative costs of tracking performance and distributing rewards.

A rule of thumb: budget your costs based on a best-case scenario. In other words, what would you need to spend for every participant to reach his or her highest goal level? Your management group will not mind if you spend less than budgeted but you will encounter problems if costs soar far beyond your budget, even if the program results far exceed expectations.

Write the Program Guidelines

Every incentive program has guidelines to provide a blue print for exactly what you expect from the participants in the program. Your guidelines should specify precisely what is expected of people and cover every loophole you can think of, while remaining simple and easy to follow. Guidelines should specify:

- The timing and length of qualifying periods
- Who can qualify and at what level
- How people can meet their goals
- How they will be measured
- What will be awarded and when
- What is not included
- What actions will not be awarded
- Disclaimers

Be Flexible

Too often, contest rules and reward choices are too rigid. Because of the nature of the accounting business, review board personnel tend to want to view the guidelines in black and white. Flexibility is key to the success of any incentive program. For example, if the top reward is a cruise but the winner gets seasick on boats, give them something of comparable value in place of the initial top prize. Likewise, trust people when they say they've accomplished a measurable activity. Constantly requiring them to provide proof that they attended an event or brought in a piece of business can be a real morale buster. Their actions may have been one of ten that led to the piece of new business. If that is the case, split the reward with those that were involved or let the group decide how to divide it up. My point is to treat people with respect and trust them unless or until they give you a reason not to.

Promote the Program

There are a variety of ways to promote an incentive program to staff. Some examples include:

- Teasers- teasers can be used at the beginning of an incentive program to peak the interest of participants. If the program has a theme, often times a promotional item or some type of communication piece related to the theme can be sent to participants or placed on their desks to peak interest in learning more about the program.
- Kickoff- The kickoff for a program is an important step. The goal should be to create excitement for the program and for everyone to understand the objectives clearly. It should be fun and exciting. Oftentimes, a theme-based program can provide for some creative ideas for a kickoff.
- Guidelines Booklet or Information Piece- the guidelines of the program should be spelled out in an information booklet or as a section in a firm's intranet so that everyone has access to the program guidelines.
- Standings Mailer- A standings mailer, especially if it is a team-based program, can be sent to an employee's residence. This often times gets the family involved in cheering on the participant to achieve success within the program.
- Newsletters- Internal firm newsletters can be used to announce program guidelines and accomplishments of teams and members of the firm.
- Meetings- Firm or department meetings can be used to provide recognition to participants for their achievements.
- Final Mailer- a final mailer can be used to thank participants for their efforts, announce firm wide and individual achievements, and to announce a new program, if appropriate.

Extra Elements to Boost Participation

In order to maintain excitement for the incentive program throughout its life, other elements can boost participation. For example:

- Fast Start- Extra measurement units can be awarded to participants for engaging in a certain activity at the start of a program. Some firms award them for a certain activity conducted during the kickoff event.
- Sprint or Spurt- Extra measurement units can be awarded to participants for engaging in a certain activity during a specific timeframe within the program. For example, extra measurement units can be awarded to an individual or team that submits so many client testimonials during a specific program week or month.
- Fast Finish- Bonus measurement units can be awarded at the end of a program year for participants who engage in a certain level of activity during the program year.
- Service Bonus- Extra measurement units can be awarded to participants for engaging in a certain activity that is related to a service group. For instance, participants can be awarded so many measurement units for handing in qualified leads for cost segregation study engagements during a specific timeframe.
- Industry Bonus- Extra measurement units can be awarded to participants for engaging in certain activities geared towards a specific industry niche during a specific timeframe.

Provide Training

Management at top-performing firms agree that training to equip employees at every level with the knowledge necessary to support their role in the organization's success is critical. Offer marketing training programs to arm your firm's professionals with the skills necessary to succeed. Include programs on your service offerings, industry expertise, and soft skills training on probing, listening, uncovering opportunities, providing excellent client service, living your firm's brand, networking, and building relationships, for example. According to the authors of *High Performance Sales Organizations* these companies create a common language or brand in which all employees are trained so that they know their role in the organization's strategy. Activities are then developed to support their role in that strategy.

Provide a Reporting System

Create a simple reporting system to capture results, such as a database, Excel spreadsheet, form, time entry code, etc. The point is to make it simple. Everyone is very busy and most firms already have too many forms and reporting systems in place. Avoid using something so complex that it becomes an administrative nightmare for everyone involved, including you.

Have the review board evaluate the results on a timely basis. This will ensure that the program is fair.

Calculate Your Return on Investment

It is important to measure the return on investment (ROI). If incentive programs are not carefully planned out and regularly evaluated, they tend to become viewed as an expense rather than an investment. Measure the tangible. Tangible measurements might include sales of new engagements, the increased number of new clients, new service sales, percentage of increase in market share, general profits, or client satisfaction ratings.

Measure the intangible. Look at how well your firm improves over time. Intangible measurements may include such things as better client service, client retention, client satisfaction ratings, employee satisfaction rates, computation of employees' action on the bottom line, training expenditures, turnover costs, improved morale, or decreased turnover.

Evaluate the Results

The end of a program timeframe is only the beginning. A critical evaluation of the results can provide valuable information you can use for creating a more effective program in the future. Ask yourself what concrete results you achieved. Was the budget justified given the return on investment? Ask the people who participated in the program for suggestions for improvement. What is the qualitative data? Do you have new clients knocking at your door? Does your staff appear more marketing oriented and more effective at business development?

Summary

Incentive programs should be tailored to the unique needs of an organization. Goals and objectives should be established that are the “real” goals for the firm. Design activities and training geared towards reaching those goals. Communicate with your staff to find out what they value in order to plan for incentive pay, rewards and recognition. Is the value worth the extra “oomph” it will take to reach the set goals? Discover what your staff values and your firm will literally profit from it.

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