Chapter 14
Incentive Planning —Make It Work For Your Employees

Authored by H. Joe Creegan

"Where attention goes, energy flows, and results show."

~T. Harv Eker
Motivational speaker and touring lecturer
best known for his bestselling book,
Secrets of the Millionaire Mind

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It's a Friday afternoon and I get a call from a potential new client. The conversation goes something like this. "Hey, Joe, my name is Mike (changed to protect the innocent). Tom J. gave me your name; said you might be able to help me."

"Sure Mike," I replied. "How can I help?"

"Tom said you were good at …" (he rambles off a few comments about team-building, communicating, and, most importantly, turning things around). At this point I'm still not sure what he wants, but start to get the feeling there's a loaded gun somewhere in this conversation.

"What is your most serious problem right now, Mike?" In a nutshell, he's hurting in the three key areas that make or break any business: One, he's not hitting the numbers and struggling to make the mortgage payments. Two, he's straining to make payroll and the employees are aware and worried. Three, customers are sensing something is wrong; service seems to be slipping and the air is thick with 'attitude'.

Though this isn't new to me, the answer to the next question always gives me insight to where the 'hidden' challenges rest. "Wow, Mike. Sounds like you're deep in the weeds. I commend you for reaching out for help. What creative solution were you thinking about?"

Mike: "I want to create an incentive program for my employees and need help in structuring it."

Me: "I can probably guess, but tell me what you're expecting the program to accomplish?"

Mike: "MAKE MORE MONEY! I want to drive the top line. I can manage the bottom-line but without dollars in the register I can't make it happen."

I'm thinking quietly to myself; typical response. He's in a panic and the first word that comes to his mind is ... MORE.

It's typical for someone considering an incentive plan to be focused on the money. After all, he's running out of capital and needs more money. It's not uncommon to leap to the conclusion that incentives will bring more dollars. Before we throw good money after bad, or possibly create a 'disincentive' (yes, that's not only possible but frequently done), we need more information.

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How did we get to Where we are now?

The answer to this question reveals a great deal about the owner's or manager's awareness of his or her company's true culture and how insightful he or she is to the markets and customers they serve.

Most often there is a critical need to assess the organization and the market before an incentive program can be designed, or, for that matter, be determined if it is a good idea at all. Some very difficult, and even sensitive, questions are going to require honest answers. More often than not, the organizational assessment reveals problematic areas emanating from the top down. For the sake of this exercise (chapter), let's assume there's no cultural epidemic that is the sole cause of the financial shortfall. There still remains the question:

What's the Mission and to Whom Does it Apply?

Let's back up for just a minute and ask ourselves another question. Is the goal strategic or tactical? Do we want total employee engagement or are we concerned only with top line generators? Inclusion or exclusion of any employee is an important consideration. To evaluate whether a "strategic incentive plan" or a "tactical recognition plan" would best meet your objectives, consider answering the following:

- How would you define your employee's morale?
- Do you know what makes your people tick? (One man's motivator is another man's deterrent).
- Is the target long or short-term?
- Do you want to focus on all employees or just your star players?
- What resources will you commit to achieve employee engagement?

> ***If morale is in the tank, then you may need to resurrect your company values; provided you once had "buy-in" of those values in the first place.***

Employee Morale

If morale is in the tank, then you may need to resurrect your company values — provided you once had "buy-in" of those values in the first place. Clearly identifying your company's values and determining whether they're believable (that is, everyone in the company walks the talk, or once did anyway) is essential. If that's the tact, then you need to be proactive and take the first step — perhaps a Recognition program versus an Incentive program would be more effective.

For example, companies undergoing mergers or acquisitions create tremendous stress on the employee population. Until those anxieties are resolved, incentives make little sense.

Some mergers are more difficult than others. Ideally, if the acquiring company holds similar values to the company being purchased, the transition can be made more easily. That's not always the case, however.

Two other instances come to mind. In July of 1987, Marriott acquired a small, but culturally powerful, Residence Inn Company. The success of Residence Inn was built on the philosophy upper management was a support system to field operations. Decision-making was highly decentralized and accountability was balanced between all management levels.

Surprisingly, not all people are incented by money.

Marriott, on the other hand, was a notoriously systematic and centralized multi-national firm. There was an immediate cultural clash with the acquisition resulting in massive upper management migration and fear in the field. Battles for cultural influence, old versus new, were long and hard fought. Casualties included lost time and lost talent. It took two years to integrate the cultures.

Eric Mosley, in Forbes.com 11-19-09, sited Symantec as an example of how, after a 2005 merger that doubled its employee base from 6,300 to 15,000, the company needed to diffuse anxiety and create a unified culture fast. To do so, Symantec rallied around the company's core values, such as innovation and action, and rewarded employees when their performance reflected those values. The rewards came as frequent e-mail thank-you notes often accompanied by gift cards worth $25 to $300, redeemable immediately. Within six months, Symantec's 800 employees were earning rewards every week. Between 2008 and 2009, at the height of the program, engagement levels were measured as rising 14% in nine months—even though the recession was at its worst.

This demonstrates how deploying a recognition program that highlights and rewards company values helps advance your long-term mission and boosts morale.

Do you Know What Makes Your People Tick?

There's a cute quip about money that reads something like this: "Money isn't everything but its way ahead of whatever's in second place." Having read this, one still ponders the question — does money really motivate? Surprisingly, not all people are incented by money. Why? "Because it is psychologically linked to expectation and entitlement and not to appreciation or recognition for a job well done." (Quote: Eric Mosley). Furthermore he states:

- A year-end cash bonus doesn't give an immediate sense of gratification for a job done today, and it may not address what's on an employee's mind today. It also is ineffective in fueling long-term motivation. Giving freedom to choose a meaningful reward is often a better idea.

  After an employee has worked long hours to meet a tight deadline, for example, he may be motivated to spend more time with his family. Recognizing that employee with a thank you, a gift card of his choosing, or even a personal day off can take you very far. Such on-the-spot recognition, done year-round, inspires ongoing motivation and high performance.

- Do you just need to hit a quarterly target or deadline?

  You're not always focused on fulfilling a larger mission or vision. Sometimes you're hard-pressed to meet a single target or deadline. That's when an incentive program can help.

  KitchenAid, for example, needed to boost direct sales of a particular appliance a few years ago. It launched a two-month "Round Up Sales" incentive promotion that rewarded especially successful retail store sales associates and account managers with Western-themed gifts such as steaks and leather goods. The program easily achieved its short-term goal, after winning nearly 97% participation among retailers. KitchenAid's overall sales were 16% higher than in the same period a year before.

Note that while incentives are effective at reaching short-term goals, they don't necessarily affect cultural change and are typically limited to select divisions or units.

Are you Trying to Motivate Your Entire Workforce or Just Your Star Performers?

Most of us have been taught the 80-20 customer loyalty rule, that 20% of your customers drive 80% of your revenue. But that equation doesn't work with employee engagement. There the masses matter, and they matter a lot. Why? I can't put it better than researchers at the consulting firm Watson Wyatt did: "Highly engaged employees are already working at or near their peak, but are often limited by their less engaged co-workers."

> ***Spread the wealth. Direct recognition programs at the middle-tier masses and you'll improve engagement company-wide.***

If you address the core of your workforce, engagement will go up across all groups. Don't just shower resources on your platinum performers or senior executives. Spread the wealth. Direct recognition programs at the middle-tier masses and you'll improve engagement company-wide.

- Are you and your team committed to making employee engagement both an art and a science?

  Employee engagement has long been seen as the soft

> side of managing—the artful part. That's not so today. It's much more serious than that. When your employees are disengaged, it affects their morale, your morale, and your bottom-line. A 15% improvement in employee engagement can mean a 2% uptick in operating margin, according to a study by Towers Perrin, the human resources company.

So once you've started to recapture your employees' attention, don't stop! Like any strategic initiative, building engagement requires ongoing attention and management. Make sure you have a strong communication team to educate your employees about your goals. Set milestones, and measure and track the reach and redemption of your rewards. Put questions about your recognition programs in employee surveys so you have quarterly feedback. Get involved, and show your commitment. Celebrate small wins every day, year round. Engagement will return in time, and you and your employees will end up back in lockstep. (Parts of this paragraph have been taken from Eric Mosley, who is the chief executive officer of Globoforce, which advises businesses on employee recognition strategies).

There is an order and protocol to position the staff to accept "buy-in" of whatever the program will be.

Lets' get back to my client's problem based on the premise he's not in cultural collapse and some type of incentive and or recognition program makes sense.

Who Should Participate and how Much Should They get?

If we can, in fact, trust my client to effectively manage the bottom-line without destroying employee morale, we might consider a combination of incentives and employee recognition. The reasoning behind the strategy is — not all his problems are financial. He has customer service issues and employees who are worried about job security and believe they have no control over the company's financial distress.

Therefore, it's critical we create an initiative that includes all staff. Secondly, it is extremely important we clarify where employees are responsible for the current state of affairs and where they are not. There is an order and protocol to position the staff to accept "buy-in" of whatever the program will be.

Steps to Hedge Your bet That the Program Will Achieve Financial, Customer, and Employee Performance Objectives.

First, and foremost, is what I call the "come to Jesus" meeting. (I didn't invent the phrase, by the way). This is where top management comes out of the closet and confesses the state of the business, followed with taking responsibility for their contribution to the problem. Please don't construe this to bowing to a terrorist. This strategy is designed to remove fear. If top management models honestly, there is less likelihood employees will fear unfair reprisal. Think about it, when an employee sits down to talk with upper management in most companies, it's usually a negative experience.

1. **Remember, "Buy-in" is Critical to Inspire Engagement in the Process.** You won't always get 100% buy-in but, to create the impetus for change and to build momentum, it's important to get the majority. One of my favorite lines comes from the movie "Gladiator". Russell Crow is told that to win his freedom, he has to "win the crowd". That's appropriate advice to initiating the rally for change.

2. **What Works, What Doesn't.** Following the opening general session will be a series of small group meetings (usually by department or discipline) designed to engage the team to give their rendition of what is working well, and what isn't. We look in the mirror, first, and then we assess others, later. After a day or two of this exercise, we're loaded

with data and proceed to creating plans and actions to fix the problems that were identified. That leads to step 3.

3. **Creating Plans and Actions to Correct Problems Where Employees Realize They are Both Empowered and Accountable.** As momentum builds, the leaders and those who want to see improvement, begin firing ideas about how to make things better. Those who are reticent (reserved or quiet) to participate or agree, are quickly held in check by peers or get off the train altogether. This is when it starts getting fun. Once all the ideas, and yes, even accusations, are on the table, accountability is introduced. This leads to step 4.

"How" tasks when carried out, actually help determine what the rewards will be.

4. **Who's Accountable for What and When?** Now we build action lists with timelines and measurable milestones. This is old stuff; you're likely to already know. But here's the twist: The team actually helps create the incentive and recognition program. Yep, that's right. If you want to see a group of people fight to win, let them design the program. Why? Because when fully engaged in the process, we will fight to the death for that which we create. Of course, the creation of the plan will be guided and upper management has final approval. But guess who presents the program to management. You guessed right: A delegate, or delegates, from the team. But how do they defend their plan? That leads us to step 5.

5. **Designing the Program.** Every plan has its own set of variables and limitations. The key to overcoming both is to define what it is meant to accomplish, and "how". How tasks when carried out, actually help determine what the rewards will be. How does this work? Most employees can't fully grasp the complexities of a company's financial

matters. They do have a pretty good grasp, however, (hopefully) on how to execute their responsibilities and can accept the value of what they are paid for work delivered.

A front desk agent in a hotel, for example, doesn't expect a salary of $150,000. By the same token, he or she wouldn't be anticipating an incentive compensation that would entitle him or her to buy half the company. Allowing employees to contribute to the creation of a plan ensures they will construct an incentive that fits their comfort zone. When your frame of reference is $10 an hour, a $25 bonus can bring a smile. The exercise that follows in step 6 actually helps them understand the value of their contribution to the bottom-line.

6. **How to tie Incentives to the Mission.** When we refer to our "what's working, what isn't" list generated from our small group sessions, we examine the deficiencies by key areas. If you recall, my client had issues in 3 core areas: Financial, guest service, and employee morale. Now we have 3 flip charts on which we can start identifying what it will take to achieve improvement by area. Let's examine some strategic discussions addressing each area:

    a. Finance. Given the client was more worried about the top line than he was at cutting expenses we ask the team who can affect the top line? Sales is the obvious first answer. (The client was an owner of a hotel, by the way.) Ok, but who else can bring money to the top line? What typically follows is; reservations, and front desk agents. Good answers.

    Let's go a little deeper. Who might "influence" guests or prospective guests to stay with the hotel? I'm sure you can see this coming. Virtually any employee who interfaces with guests can influence referrals or repeat stays. When ownership of responsibility and creativity combine, incentives and recognition programs achieve desired results. Now everybody is in the game: housekeepers, wait staff, engineers, everybody.

Without getting into the specifics of the program, suffice to say, emphasis on reward was commensurate (equal or proportionate) with ability to impact the top line. Sales, front desk, and reservations did, in fact, reap the most financial reward in this key area. But everyone had a piece, and opportunities were presented to balance the distribution with participation in the other key areas of customer satisfaction.

There are a few hints to know when to make a change in your plan ...

b.Guest, or customer satisfaction. This key area created an opportunity to address concerns evidenced by Guest Satisfaction Scores (GSS) and Quality Assurance (QA) reports. Lists of problem areas became more detailed and clearly defined in areas like: Room cleanliness; guest check in experience; building and grounds appearance and amenities. Measures were defined to determine improvement margins with rewards for moving in the right direction. The operations' staffs were the beneficiaries of financial compensation. Although, it was suggested sales could contribute by picking up debris when they saw it (versus walking by it) and reporting problematic areas when on property doing site tours with clients. Housekeeping invited sales to support them by assisting with room inspections. "Buy-in" was becoming evident and a mutual respect for one another's responsibilities was starting to grow; this led to a natural progression to step 7.

7. **Employee Morale.** As middle management line staff began to feel more comfortable with upper management and the direction they were headed, cohesiveness

developed interdepartmentally. Recognition, versus incentive, became the predominant choice to continue the momentum in accomplishing an improvement in employee morale.

a. There was a key twist in this process that guaranteed the success of the recognition program. The twist was each department created a program for the other departments. Respect of your peers is often equal to the respect of your superiors.

b. The most exciting dynamic of the program was departments couldn't wait to give the recognition to their fellow employees. They were, in effect, building their own team of superstars. If you want to see an inspired team, look at the faces of the players who make it to the Super Bowl.

> ***... one of the downfalls of instituting an incentive plan is that it has to be managed.***

Changing the Game

This was a good news story. Improvements abound, guest satisfaction scores soared, and the owner was able to make debt service. However, the excitement of an incentive/ recognition program can wear thin. It's analogous to buying a new car: The smells of the leather, the nimble feel of the rack and pinion steering excite the senses; until after the first car payment.

Conditions change, programs are taken for granted, and the fresh smell of newness grows stale. There are a few hints to know when to make a change in your plan:

1. When the program is no longer working, nobody is making money or being recognized for "real" contributions to goals.

2. When people are making too much or are being recognized when the change in market or economic conditions are responsible.

3. When no one takes responsibility to "drive" the program.

Frankly, one of the downfalls of instituting an incentive plan is that it has to be managed. The good news is, if it's designed properly, and not taken for granted, it's completely compatible with management's responsibilities anyway. The difference is in the amount of time and energy required to monitor and assess its' effectiveness. It's "one more thing" that demands our attention — and make no mistake about it, an investment of energy is required.

It may take a bold new direction.

Keeping it Simple

Keeping it simple has benefits. One, it makes the program easier to understand for participants and easier to measure and monitor for those responsible to manage and administer. It can be a real downer for an employee to feel the target can't be hit or is too complicated to follow.

Here are Some Basic Pitfalls to Avoid:

- If top line is your concern, pay on the top line. In the case of this client, he was confident he could manage the bottom-line. If he were to tie his Gross Operating Profit (GOP) to the incentive for his line employees, he would have disabled the program. Apply that strategy to appropriate managerial staff. In this case, he did assign that as a component to the General Manager (GM) who, in turn, designed a similar incentive for department heads. The caveat, though, was the cost control component was viewed as a "bonus" to the incentive program. Perception is everything. Like they say about customers in the car business, "It's not the deal they got, it's the deal they think they got."

- Don't put the reward too far out of reach. Consider the level of the employee. The GM, in this instance, can wait a little longer to get paid than the housekeeper. Keep it relevant to their needs, and, align the reward, whatever you determine it to be, with the need timeline of the business. If you're looking for next month's debt service, don't make the payout at the end of the year.
- Don't let the program be taken for granted. Celebrate it, genuinely, every time. If you're tired of the game, you can bet your employees are too. If you don't value it, they won't either.
- Play fair, don't over or under compensate. Employees are microcosms of families. Keep incentives in balance and the opportunities for reward equal, albeit commensurate with their disciplines contribution.
- Lastly, have fun! Having fun will regenerate interest and enthusiasm. Yeah, times are tough and the X generation needs to learn it's not all about them or always fun. In truth, during tough times fun has the highest value. In some cases, fun is all we can afford.

The Incentive Research Foundation (IRF) reports the following trends for 2010: (This is a verbatim copy of the report summary).

Incentive Industry Trends 2010

Several markers in the recent IRF Incentive Industry Trends 2010 survey indicate (slightly) rosier times ahead for the incentive industry. While the industry is not quite yet ready to breathe a sigh of relief, these results indicate a brightening outlook as practitioners plan programs for the future. "Cautiously optimistic is the term I would use to describe the overall message in the data from the survey," says Mark

Peterman, chairman of the IRF Research Committee. "Our sense is that companies may have been sitting on budgets for the past 10 months or so waiting to see how things were going to play out and whether there was going to be more pushback from the media and community regarding incentives."

Key Findings: Incentive Travel

- Respondents appear to be more optimistic and consider the economy as having a "more" positive impact on their ability to plan and implement incentive travel programs when compared with pulse survey results from July and March 2009: 33% "slightly" to "significantly" positive in November 2009 as compared to 24% in July and 11% in March.

- 44% of respondents anticipate "no change" with regards to incentive travel program destinations in 2011 while 47% of respondents anticipate a switch from international to domestic destinations.

- A majority (41%) of respondents anticipate "no change" with regard to sponsored non-meal related components for Incentive Travel Programs in 2011, while 7% indicate that sponsored non-meal related components will "moderately increase" in 2011.

- A combined 16% of respondents indicate that they expect budgets for Incentive Travel Programs in 2011 to increase, while 30% indicate that they expect budgets to "remain unchanged".

- While 36% of respondents anticipate "no change" with regards to involvement of procurement and purchasing for Incentive Travel Programs in 2011, 56% agree that their involvement will increase by some degree in 2011.

Key Findings: Merchandise Non-cash Programs

- 32% of respondents indicate that budgets for merchandise non-cash Incentive Programs in 2011 will increase (either "moderately" or "slightly") and 34% of respondents anticipate these budgets to "remain unchanged".

- Planners still point to the economic downturn as having a negative impact on their ability to plan and implement merchandise non-cash incentive programs. However, while 34% report a negative impact, this is an improvement over the almost 50% reporting a negative impact over 2 years ago (October 2008). Further, respondents reporting a positive impact was 26% in November versus 20% in July 2009.

- When asked, "What changes, if any, will be made in 2011 with award selections," 27% of respondents indicate they will include individual travel as an option in 2011, 22% indicate that the use of debit/gift cards will be increased and 18% will add merchandise. It should be noted that 30% indicate there will be a decrease in merchandise award value for 2011 programs.

Survey Background

In this recent survey, the IRF asked incentive travel providers, corporate incentive travel buyers, suppliers and other industry professionals, questions on trends with regard to incentive travel programs, merchandise non-cash programs, and budget changes forecast for 2011. Data collection was conducted October 19 through November 17, 2009. In addition to the current topic on industry trends, the IRF tracks core issues of continuing interest to the industry including but not limited to:

1) The extent to which company financial forecasts influence incentive programs;

2) The effect of competitor reactions on company incentive

programs; and

3) Sensitivity to others' perceptions of company incentive programs.

Some Crazy Ideas for Incentives and Recognition Programs

Just when you think you've seen it all, some wacky manager invents a program that blows the doors off. Here are a few that might give you some ideas for your own programs. These can easily be found by doing an internet search:

Stretch Your Employee Incentives Budget

Revamping your Employee Incentives Program? Stretch your dollars further by streamlining costs. Download the free Guide today.

EagleRecognition.com/Guide

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The lists are endless. Those above might spark an idea or two for your program. But remember the essentials:

- Keep it simple
- Keep it measurable
- Keep it fun

Now that you have your incentives plan, MAKE THEM WORK!

1. Be mindful that throwing money at employees doesn't always improve profitability.
2. Know what makes your employees tick.
3. Assess their engagement in your business.
4. Encourage honesty.
5. Make the reward commensurate with the task and the goal.
6. Follow up! Incentives and Recognition programs must be:
    a. Measurable
    b. Believable
    c. Reasonable
    d. Doable

7. Never, ever, start an incentive program you can't finish or deliver.

Employees want to be on a winning team.

"Our chief want in life is somebody who will make us do what we can." -Ralph Waldo Emerson

3 Take-Aways:

1. You must have a clear understanding on how you came to a point where you determined an incentive program was needed.

2. You must be clear about whether or not your plan is inclusive of all employees, or just a few, and understand the impact of both.

3. There must be a "driver" of the program to ensure it remains relevant and inspires achieving the objective it was designed to accomplish.

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What Your Company/Institution Does for Your Clients: Improve revenue stream, customer satisfaction, employee engagement and gross operating profit through coaching, training, and organizational development.

What Makes You Unique: Co-developed an exclusive axiological profile tool for utilization in the hotel industry instrumental in achieving employee development, retention, and succession.

Individual and Company Achievements/Awards: Reduce employee turnover by 50% for most clients; improve customer satisfaction scores to comply with franchise standards and improve GOP to meet client objectives in once failing properties.

Background

Professional: Vice President, Operations for Residence Inn by Marriott; Organizational Development, Marketing, and Operational consultant in the hotel industry since January of 1990.

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