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Building your incentive and reward portfolio

In the first of his instructional series for *MOTIVATION*, **Paul Hebert** introduces the initial considerations for designing and implementing a best practice program for incentives, rewards and recognition.

For many years incentive, rewards and recognition programs were thought of as tactical ways to influence short-term results. In fact, you frequently hear people refer to them as incentive schemes. The connotation with the word scheme is that something duplicitous is going on – something less than upfront and forthright. However, the world is changing – the audiences your programs target are changing and the ability to guide and influence behaviour is no longer a scheme, but a strategic way to differentiate your company, brand or product. There will always be companies that will use unethical means to grab a share of your money – or pull the wool over the eyes of their employees, but companies that want to succeed and want their employees and customers to succeed are using incentives, rewards and recognition in a way that will drive long-term success for all parties.

One way to ensure you don't fall into the trap of using incentives and recognition programs to only focus on short-term objectives and get the most out of your investment in these programs is to think like a stockbroker. Think about it like this...

If your stockbroker advised you to put all your money into one stock, would you do it? Probably not. I'm guessing you'd probably fire them. It's pretty much common knowledge that diversification is the key to long-term growth and protection of your core assets (the theory behind diversification is that you reduce your risk by spreading your investments across different companies, stocks, bonds, etc).

Your goal when investing is to create a portfolio of investments – each with a different objective, goal and timeline. Your portfolio should have some long-term investments and some short-term investments. You should have growth-oriented stocks and some that are focused on just maintaining a certain level of return.

Your performance strategy within a company is no different.

THE PORTFOLIO APPROACH

Smart companies take the time to diversify their efforts to reduce risk (confusion) and increase returns (performance). But what does a performance portfolio look like? In general, things to consider include:

First and foremost are your long-term investments. Think about the

ties between recognition and culture. These programs are the foundation of your portfolio. If everything in the marketplace tanks, these programs protect your most important assets – your people. Don't adjust your position in this part of your portfolio very often.

Think mid-term. Enlightened companies plan for the cycles and market conditions that have some predictability. What are your company and industry projections? Do you see a fall-off in the fourth quarter? Is the price of oil impacting your business? Can you plan and protect against these market changes by focusing behaviour in one group or another? Do you have an ongoing platform for rewarding specific behaviours as the business changes?

Create short-term programs and one-off programs. These programs are similar to taking a flyer on a share of stock. You only do it when you see a reason, and you don't ever plan on keeping the stock. It's a one-time occurrence and focused on a very specific stock with a very specific outcome. Each company has these needs. What business issues are you facing that are transitory? Are you facing short-term price pressure from

a competitor, a spike in workload that is affecting employee morale, or installing new computer software that requires training and adoption?

UPDATING YOUR PORTFOLIO

Just like your investment portfolio, you'll need to evaluate and adjust your performance portfolio on a regular basis. Just because you created the portfolio doesn't mean it runs on autopilot. Check in regularly. Compare your portfolio to your current needs and market conditions. Are adjustments necessary? Did something change that would change your long-term strategy? Is next year different than last year? What do you need to focus on to be successful?

Check your recognition programs and long-term culture programs at least annually. Double check your other programs at least on a monthly/quarterly basis. And, for those one-offs, always conduct a debrief to see what you did right and wrong so you're ready when the next 'opportunity' pops up.

THERE IS NO 'ONE' PROGRAM

Every company has multiple needs, objectives and goals. Aligning your employees, channel partners or

consumers with those goals isn't something a single program can accomplish. Create a portfolio of programs. Diversify your efforts. Let each program do what it does best.

INCENTIVES AREN'T JUST FOR SALES PEOPLE...

The portfolio approach for your incentive, recognition and reward strategy not only involves the type of program but the audience as well. In the past most programs were focused on the sales function in an organisation. It was easy to measure and easy to see results. However, incentives (and by extension, rewards and recognition) belong anywhere you have people. Incentives aren't goal specific – they are people and behavior specific. Incentives can and should be applied anytime you have a goal that isn't being attained, and people and their associated behaviour are some of the reasons the goal is being missed.

As a business manager, you have pretty much one goal in mind – increase the value of the company to

the shareholder (or stakeholder for private companies). Share value is one measure everyone can agree on. The value of a company is a function of a variety of activities that help increase shareholder value.

Activities such as increasing sales, decreasing costs, making better use of the investments already in the pipeline all add to the value of the company. Each of those areas can then be subdivided, and ultimately you arrive at something people can do to influence the output/success of that area.

Need more cash? Look at receivables – is there a way to motivate the teams to work a bit harder at collecting owed money? Need to get that new software online? Influence the behaviour of the employees to adopt the new tool faster.

Below is a chart that can help you think about where to apply incentives in your portfolio. It is not exhaustive of all the ways you can use incentives and rewards to impact a company's results but it does provide a framework for discussion. Create your own chart on how

your company adds value to your investors (public or private) and see what areas an incentive and reward program can help.

THINK BEHAVIOURS, NOT RESULTS

Once you've determined your long-term, mid-term and short-term business needs and identified areas within your company that impact company value and may require intervention in the form of reward and recognition, step back and ask what behaviours will drive the results you want.

Believe it or not this step is the one that most companies skip.

Most programs focus on results not behaviours. Incentives and rewards do not influence results – they influence behaviours. Successful programs will target specific behaviours that will ultimately get you the result you want. But simply providing an incentive for a result is not as effective as identifying the behaviours that lead to results and providing rewards for exhibiting those behaviours.

As an example: typical sales incen-

tive programs will be structured to reward a sales person an award for each sale. However, the sale is the result of a variety of activities such as creating a target list, making cold calls, presenting the product and service correctly, building rapport, following up with customers. In other words, if you need a sales incentive program because sales are down it is probably the result of some behaviour that is not being done or being done incorrectly. You will be better off focusing your incentive and reward program on the behaviour – not the result.

Too often incentive programs focus on the results and not the behaviours. People can only change behaviour – they cannot change results.

INVEST IN YOUR REWARD PORTFOLIO

Smart companies will think like investors when it comes to their incentive and reward strategy, creating a portfolio of initiatives targeting different timelines, audiences, areas of the company and behaviours. Smart companies realise, like any good investment strategy, it takes sound upfront planning and an ongoing process of adjustment as conditions change in the marketplace.

In the next edition of MOTIVATION...

Once your portfolio of objectives is designed, what are your program specific options? What are the different rules/structures that can be used to drive behaviour? Is there a difference between a recognition program and an incentive program? How do you combine individual award programs with team programs without causing confusion and negative feelings? Answers to these important questions will be addressed in the December/January issue. ■

