
A 6-Step Guide to Powerful Performance

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Ok, so you've seen the power of rewards and recognition to engage staff and motivate performance. But what happens when your sales people sell more product than your production line can manufacture, or your operations staff can process, or your warehouse can deliver? Organisational chaos. Bang goes the ROI, or any other value your incentive investment was meant to add to your business. If you're incentivising for business results, take a holistic business approach to your incentive program design.

1

Survey the business landscape

Your organisation does not operate in a vacuum – neither does your incentive program. Before you launch into defining objectives and setting goals, back up and survey the broader business landscape. What are your competitors up to in the year ahead? Are there new industry regulations on the cards? How are the economic winds blowing? Establishing these broader financial baselines will allow you to monitor your program results in the context of your business environment. Baseline information provides a reality check on program results and makes it easier to shift your course as required.

2

Define outcomes and align objectives

It's critical that everyone in the incentive program chain of command understands and - more importantly - agrees on desired outcomes. If you're busy designing a channel incentive to boost unit sales, but the CEO is losing sleep over customer churn and free-falling satisfaction ratings, someone is out of synch with organisational priorities ... and it may not be the CEO. An incentive program is only successful to the extent that it moves the organisation closer to fulfilling strategic objectives. What does success look like from a long-term organisational perspective? Effective incentive program planning begins with a clear picture of the ultimate performance goals and buy-in all the way up the management chain of command.

3

Establish program measures

You may think that your incentive program is ticking along nicely according to plan – but how do you know? And why wait until the final post-mortem assessment to find out that participation numbers were actually low and the ultimate cost per head was a bit more than you had budgeted for? Establish top-line measures and incremental benchmarks up-front and periodically check that your program is performing to expectation. Financial targets are key, but to get a holistic perspective of your program, measures should include participant satisfaction, internal stakeholder goals and operational performance. Regular progress checks allow you to identify any potential problems and quickly correct your course.

4

Assess current business realities

Before you can establish goals for future performance improvement, you need a clear picture of current business realities. What are your business cycles? What external events may impact the effectiveness of your incentive program? Also, consider the ripple effect of the program throughout your organisation. If you are incentivising your sales team to move 25% more product over a 6-month period, can your production team meet the increased demand? Also, consider your participant group. Do they have the knowledge, skills and tools to meet increased performance demands? Finally, set a financial baseline by reviewing historical data over the same period as your proposed incentive program, eliminating data related to extraordinary items. At the same time, examine financial projections and any potential impact on future revenue.

5

Design the performance solution

You've examined the marketplace, assessed your business, identified your performance needs and established your measures. If you've done your homework thoroughly, you've got all the information you need to design an effective performance improvement solution. Best practice design follows these guidelines:

- **Budgeting and financial strategy:** Save creative accounting for another day, incentive program budgets are based on one criterion - your financial objectives. What's the cost of an incentive program that will motivate the performance you're looking for? That's your budget. What's the projected financial benefit of your incentive program (accounting for incremental revenue and expenses)? Do the calculation and decide if it has potential to produce a satisfactory return on investment. Then do a risk analysis. How much do you stand to lose if the program doesn't produce results? Monitor the risk closely. That's your strategy.
- **Goals and objectives:** Set goals and objectives that are specific, easily understood, realistically achievable, measurable, movable and meaningful to participants.
- **Rules:** Keep the rules structure simple, easy to understand and flexible. Create rules that are fair and give all participants a chance to be rewarded for improved performance.
- **Communication:** Strong communications motivate, inspire, inform, educate and keep participants engaged. As the lifeblood of your incentive program, messages must be timely, frequent, specifically targeted and delivered in the right media for your audience.
- **Awards:** Consider your participant group demographics and offer a mix of awards that will most effectively engage and motivate them to perform at a higher level. Make your selection based on the perceived value of the awards, not the price. If you're struggling with the cash versus non-cash award decision, there is no debate that non-cash awards have trophy value and mental staying power that cash does not.

6

Evaluate Results

This obvious, but oft-neglected final step is critical to really understanding the what, why and how of your program's success and your performance results. Did your electronic communications generate a spike in participation that your printed brochures did not? Would you have seen better results if you had more buy-in at the line management level? And how did your production and operations people cope with increased product demand? Detailed analysis allows you to understand the full cause/effect chain of performance improvement - all the way down to the bottom line.

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