



Rev Up Incentives Now to Rev Up Profits in 2009

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No one said a recession is fun. It's a time when consumer confidence is low, tensions are high, and loyalties wane. Tough economic times may mean layoffs, a tight job market, and skittish employees.

Most of us would agree that it's a fine line between an "official" recession and tough times. No matter what it's called, the situation challenges companies to make some tough decisions fast, including budget cuts in some business development areas.

But, savvy companies know there's one area that they can't afford to cut – incentive programs. Revving up incentive programs now can help companies proactively prepare for even tougher times ahead. With a properly aligned incentive program, they'll engage employees, build customer confidence, and drive business growth. These companies know this is no time for a wait-and-see mentality; it's time to turn up the heat on incentive programs.

Companies spend \$46 billion annually on incentives, and according to the Incentive Performance Center, the incentive industry managed to grow during the recessions that occurred in the 1980s, and during the downturn of the late 1990s, following the dot-com collapse, and after September 11, 2001. Unlike other sales and marketing strategies such as advertising, conventions or direct mail, incentive programs have huge immediate and long-term, measurable payoffs. But just what sets incentive programs apart?

Low fixed costs – An incentive program's initial costs are minimal. By employing the expertise of a performance improvement company, your fixed costs – program set-up and employee communications – will be relatively low, about 10%-20% (or less if you are doing your communications internally) of the total incentive program's costs.

A reputable performance improvement company will have a bank of ideas to get the program up and running with low upfront costs. Starting with initial strategy sessions with management, they can ensure that your program design, management buy-in, launch events, and ongoing motivational messages are on target and results-oriented.

Technology makes all the difference in keeping costs low. A performance improvement company will offer an online rewards platform that is easily customizable to your company. An online platform is a one-stop shop for your program's needs. It's a personalized, individually passcode-protected site that houses the program's rules, ways to earn, learning center, rewards catalog, individual's point bank, and award redemption center. The site allows for email blasts to motivate and educate participants along the way. For those participants who don't have access to email, a performance improvement company will have cost-effective means to keep them in the loop as well.

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Variable costs are covered by ROI – The majority of costs are in the rewards. These costs are balanced with the achievement of goals. It's a self-funding investment; a measurable ROI more than covers the cost of the program. Is your advertising budget self-funding?

A performance improvement company will help you design a program with easy-to-measure results and simple rules that ensure participants' success. The best programs reward for two behaviors and one result. The first step is to identify your top performers, and define what they are doing in terms of behaviors and results, your Best Practices. The findings are translated into your incentive program. For example, with a goal of increasing sales, the program could reward for:

- Behavior: Ask open-ended questions, as verified by manager's observation
- Behavior: Engage the customer (specific techniques are coached), as verified by manager's observation
- Result: Increase revenue per call by levels ranging from 5% to 15%

This becomes your Call to Action. The behaviors reinforce the result. The result is measurable; rewards are paid on the result. A positive ROI covers program costs.

Adaptable to changing marketplace – During tough economic times, customers are more cautious and calculated in their buying decisions. Companies must get more creative and react fast to grow market share. Incentive programs are nimble. By using short spiffs, it's easy to change things up to focus on new or different behaviors and activities as the marketplace changes.

For example, you may have a new, lower cost product or service that needs a fast introduction. An incentive program allows you the vehicle to conduct product training and reinforce behaviors that lead to sales.

Gets results fast, yet provides long-term benefits – Change happens through people. The key is getting people to behave in ways (adopt Best Practices) that improve your company's bottom line. Rewards, properly used, are a powerful tool for keeping people focused on the results you need today by reinforcing the behaviors and activities that get those results. And, those behavior changes have a lasting, long-term impact. When Best Practices are reinforced and rewarded, they become standard operating procedure. They are ingrained into daily activity and lead to long-term results.

By focusing on behaviors, you'll accelerate the accomplishment of your strategies and get the results you need today and in the long term.

Engages employees – There's a lot of buzz these days about employee engagement. Successful companies know that they must have all their employees fully engaged in their business, especially during challenging times. Companies that reward for Best Practices, as well as results, align employees to their values and create loyalty. Employees' confidence in the company increases, and this confidence translates to customers, creating a loyal customer base.

It's important to remember that a recession not only affects your company, but also your employees on a personal level. An incentive program offers a sense of appreciation for their loyalty, leadership, innovation, and recognition of Best Practices. The recession may have resulted in recent layoffs. In such a case, an incentive program goes a long way in letting employees know that although times are tough, the business is still viable; we can have fun, and there are rewards waiting for those who perform.

Builds camaraderie – Employees can find solace in knowing that they are not alone. In addition to individual rewards, implement team rewards that encourage sharing knowledge, stories, and solutions. Although these may be challenging economic times, don't scale back on expectations. Step up the goals so the rewards take the team past former performance goals. Just make sure goals are attainable, keep people focused on the right things, and are designed so there are as many winners as possible. As a result, you'll find that employees will try very hard to equal and exceed their goals .

Easy and simple to put into place and monitor results – An expert incentive company can provide full-service – communications, tracking system, reporting, reward fulfillment, and consultation on how to get the best results. In a recession, or any time for that matter, you need to get an incentive program up and running fast – because you need results fast. This is not the time to be in a do-it-yourself mode; it's the time to turn to an expert.

When choosing a potential partner, ask these questions:

- What is the company's core business? If the company sells trinkets or is into marketing, advertising, management consulting, training or merchandise fulfillment, look elsewhere. You need a company whose core business is performance improvement.
- Does the company reward for behaviors? Sales made, money committed, calls completed. These are good things. But how do you get there? If your prospective partner can't help you define some early indicators in the form of behaviors, find someone who can.
- What is the recommended Call to Action? If people accomplish that Call to Action, will they achieve your key strategies? If not, make another call.
- Does your potential partner understand how to clone the behaviors of top performers? This is the key strategy for moving the performance curve forward – that is, expanding your repertoire of top performers. Your partner should be able to coach your managers to coach each other.
- Is your potential partner recommending cash or non-cash rewards? If they argue too hard for cash, be very suspicious. Somebody may be taking the lazy way out.
- Can the company design a Points system? A Points system is more than just web-based reports; it's a sophisticated banking system. This should be no problem for an expert performance improvement company.
- Can the company verify the program's results and track tax liability? You need to know when you've achieved an ROI that more than covers the cost of the program and when



you've hit your projected numbers. If the company can't measure the results of the program, find a partner who can.

The bottom line: Times of recession are tough – on companies and on employees. An incentive program is an effective tool in recognizing and rewarding employees who perform. Tough times call for change; an incentive program rewards employees for adapting to and embracing change. Follow these steps and you'll not only weather the recession, but position yourself for better times ahead.

1. Seek out the services of an expert performance improvement company.
2. Reward a broad base of employees for realistic goals and objectives (don't just reward your top performers). Reward for behaviors and results.
3. Maintain enthusiasm, excitement, and focus.
4. Focus on how rewarding this will be for those who perform.

A recession presents a unique set of challenges, but also a unique set of opportunities. Whether you have an incentive program in place or are considering launching one now is not the time to take a wait-and-see approach. A properly designed incentive program builds employee and customer confidence, helps maintain and grow market share, and puts you in a position to achieve even greater growth when the economy improves. Rev up your profits; use incentives to leverage your greatest asset – your people.