

Accounting and Audit - CPA Practice Management Forum - CPA Practice Management Forum - CPA PRACTICE MANAGEMENT FORUM, Vol. 4, No. 10, October 2008 - CCH-JOURNAL, CPA Practice Management Forum, October 2008, Incentive Plans: A Motivational Tool That Works
Incentive Plans: A Motivational Tool That Works

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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 that encourages people to do what it is you want them to do.

Many CPA firms have such programs. For many, it is in the form of the standard commission-type structure paid to employees for bringing in new business and cross-selling services to existing clients. But other kinds of incentive programs can be used to motivate employees as well. Most commonly, these programs are marketing activity-based programs 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 performing marketing activities and reaching a predetermined set of goals.

Firms also are looking at incorporating other elements into the firm culture to support and reward employees. Increasingly, firms are turning to incentive programs to improve retention and compete on more than just compensation.

According to the CCH Young Accounting Professionals Survey, young CPAs want to be developed professionally and valued and rewarded for their performance. According to the survey, many young professionals believe that their firms aren't meeting those needs. Incentive programs are merit-based systems that provide that recognition and reward for performance.

Besides aiding recruiting and retention, an incentive program within an accounting firm can increase sales, improve the development of relationships, improve client service, build client loyalty, increase client retention, improve employee morale, build employee loyalty and trust, improve communication between departments and service groups, and foster teamwork.

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.

Cash isn't always the best incentive --Recognition is!

It may seem surprising to learn that cash isn't always the best incentive. When employees realize that their contributions are a valuable part of a firm's success, they are more likely to embrace the goals and objectives of the firm and its incentive program.

The value of recognition cannot be overstated. It can take many forms, from announcing achievements at firm-wide meetings to handing out plaques or certificates for reaching certain milestones.

Cash awards are, of course, an option. However, people feel less comfortable talking about a cash award than a nonmonetary award. In addition, many times, cash awards are spent on incidental items or to pay off household bills. Over time, employees tend to view monetary rewards as compensation and feel that they are entitled to them regardless of the effort put forth. Noncash awards are more memorable.

Form a taskforce to plan the program

When planning a program, form a taskforce of representatives from all levels of staff. Because they are members of the rank and file, staff usually respects their decisions, even when they set tough standards. As the program progresses, your taskforce will become your internal sales team when pitching the program to staff.

Be sure you guide the taskforce in the following areas:

Develop a clear set of goals & objectives. The program's guidelines should be tied to legitimate firm goals, and the program should reinforce those goals. Many firms talk about a specific goal and then design an incentive program predicated on something else. For example, a firm may say it wants to build a stronger marketing culture by getting everyone to try marketing activities that they feel comfortable with. When the incentive program is rolled out, the incentive measurement is on revenue generated for a certain time period. That is a very different goal. The program may have good short-term results, but it is not likely to result in a stronger marketing culture --which would have steady long-term results.

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.

Have written guidelines. Written guidelines to provide a blueprint for exactly what you expect from the participants in the program. The 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:

- 1 The timing and length of qualifying periods

- 1 Who can qualify and at what level

- 1 How people can meet their goals

- 1 How they will be measured

- 1 What will be awarded and when

Develop a theme. Often, a theme-based program can provide for some fun, creative ways to brand a program. For example, New York based CPA firm, Citrin Cooperman created a Monopoly-themed program and tagline "Building Your Marketing Tool Chest" to reinforce the goal of encouraging, teaching and rewarding staff for participating in marketing and business development activities at all staff levels.

Promote the program

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

- 1 Teasers --Teasers can be used at the beginning of an incentive program to pique the interest of participants. If the program has a theme, a promotional item or some type of communication piece related to the theme can be sent to participants or placed on their desks to create interest in learning more about the program. Popular game shows, board games, TV shows, Olympics, other national events or sports themes are always popular.

- 1 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.

- 1 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.

l Standings Mailer --A standings mailer, especially if it is a team-based program, can be sent to an employee's residence. This can get the family involved in cheering on the participant to achieve success within the program.

l Newsletters --Internal firm newsletters can be used to announce program guidelines and accomplishments of teams and members of the firm.

l Meetings --Firm or department meetings can be used to provide recognition to participants for their achievements.

l Final Mailer --A final mailer can be used to thank participants for their efforts, publicize firmwide 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, extra measurement units (i.e., points, miles, yards, etc., depending on the theme) can be awarded to teams or individuals for:

l Fast Start --Engaging in a certain activity at the start of a program. Some firms award them for a certain activity conducted during the kickoff event (e.g., an extra 5 bonus points for winning a team-building exercise during the kick-off event).

l Sprint or Spurt --Taking part in a certain activity during a specific timeframe within the program (e.g., for submitting a certain number of client testimonials during a specific program week or month).

l Fast Finish --Completing a certain level of activity during the program year.

l Service Bonus --Engaging in a certain activity that is related to a service group (e.g., handing in qualified leads for cost-segregation study engagements during a specific timeframe).

l Industry Bonus --Participating in certain activities geared towards a specific industry niche during a specific timeframe (e.g., attending a networking event held by a trade organization whose members are clients of the firm).

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 during your incentive program timeframe 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: CREATING COMPETITIVE ADVANTAGE IN THE GLOBAL MARKETPLACE (McGraw-Hill Professional © 1999), 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. Incentive program 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. (See Exhibit 1.) Everyone is 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.

Create a monitoring committee made up of a few people to evaluate the results on a timely basis. This will ensure that the program is fair.

Calculate your return on investment

It is important to plan how to measure the return on investment (ROI) of your incentive program. If incentive programs are not carefully planned out and regularly evaluated, they tend to become viewed as an expense rather than an investment. Tie your ROI measurements back to the goals and objectives you set at the beginning of your program. 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.

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?

Incentive programs should be tailored to the unique needs of your firm because they are, by definition, designed to enhance your firm's goals. The activities and training that are part of the program should be geared towards reaching those goals. Discover what your staff values and your firm will literally profit from it.