

Leverage Incentive Plans to Boost Profits & Performance

A 360 View White Paper



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Dusting off your old employee incentive plan in order to give it a face-lift or simply implementing a new incentive plan may make sense to boost bottom line profits and employee performance in order to help offset revenue losses suffered by financial institutions due to recent market volatility and financial institution regulatory changes, suggests a recent Incentive Survey conducted by 360 View CRM in which over 230 U.S. Bankers participated.

Eighty-four percent (84%) of the Incentive Survey respondents, who currently have an employee incentive plan in place, said their current incentive plan has definitely increased sales within their organization and increased employee engagement by encouraging better profiling, cross-selling, and referrals to other lines of business.

“An effective goal and incentive plan can increase your financial institution’s bottom line, there is no doubt about it,” reports David Acevedo, Director of Sales for 360 View CRM, and coordinator of the Incentive Survey. “And it can also improve your staff’s performance and overall job satisfaction! The survey results certainly support this outcome.”

Despite this encouraging news, only sixty-nine percent (69%) of the Incentive Survey respondents said they currently had a goal and incentive plan in place. The other thirty-one percent (31%) were operating without a defined plan.

“If these stats hold true,” continues Acevedo, “then roughly a third of all U.S. financial institutions could easily increase their overall profits simply by implementing a goal and incentive plan today. And another quarter of banks could see a bottom line boost by improving upon their existing plan.”

If you are wondering why more financial institutions aren’t taking advantage of this untapped revenue source, the Incentive Survey suggests it’s because goal and incentive programs have gotten a “bad rap” in the local to regional financial institution market over the past 10-15 years.

“Incentive programs,” says Acevedo, “were first introduced by large corporate banks who had the resources to afford the extensive support systems necessary to track referrals, account opening, cross-sell ratios, and other pertinent customer information to perform the complex calculations required to make determining incentive payouts easy. Without sophisticated supporting technology, it would take the average size institution a small army of employees to manually perform all the tracking, calculating, and cross-checking necessary to make these plans effective.”

In another key survey question, respondents were asked “Are you better able to measure production results from your employee’s sales initiatives by using a goals and incentives plan?” Eighty-three percent (83%) said yes, confirming that an effective goal and incentive plan is influential to the success of any financial institution’s overall sales strategy.

“It is very hard to coach what you do not measure,”

says Acevedo. “As the past director of sales for a community bank, setting and reviewing goals with my sales people was key to our success. Many institutions just expect their people to sell the same widget to everyone without first creating goals and implementing support systems to help determine best product fit. Statistics show that 75% of cross-sell opportunities come within the first 90 days of opening an account. Customers want to know what products and services are offered, but not be overwhelmed with information when they first walk in. Proper follow-up and activity tracking after initial account opening is crucial to a successful cross-sell and long term customer relationship.”

Other studies have shown that employees crave feedback and desire concrete, measurable goals. In fact, nearly 2/3 of employees report they haven't received any meaningful “positive” attention in the past 12 months. And, over half of all employees departing positions, did so primarily due to lack of incentives or of recognition and praise. Managers should be aware of these dynamics and be trained to note the good deeds of their employees and have means to recognize them for their contribution. Sometimes, even a simple note of thanks from a branch manager goes a long way in making a teller, CSR or fellow employee feel appreciated and recognized.

In other research conducted by Hay Group, over 1300 companies across 80 countries were surveyed about their use of incentive programs. The research identified three major trends related to incentive pay: 1) bonuses are being strongly tied to the bottom line,

2) more challenging incentive targets are being set with a greater focus on return on investment, and 3) companies are making better effort to communicate their incentive plans to employees than before. In addition, one in five companies have already begun to enact these changes in the last two years and encouragingly, nearly twice as many are planning to make these changes in the next two years.

Common Elements of Successful Goal and Incentive Plans

While results may vary from one institution's culture to another, or from one plan design to another, the Incentive Survey suggests there are some common elements to most successful goal and incentive plans.

Simplicity: When considering a goal and incentive plan for your institution, it is easy to get carried away and create complex incentive policies that confuse your sales people and motivate unwanted results. Your first focus should be “keep it simple”. No matter how well intentioned, if your plan is confusing to your sales people, then it won't be effective.

Documentation: Take the time to thoroughly document your plan with an eye towards communication. You want your plan to make sense to your employees and be easily understandable. Plans without clear documentation will produce results without clear benefit.

Defined Mission: The mission of your plan should be well-defined and known by all. If your mission is to increase your bottom line, by how much? If it is to reward employees for results above and beyond their expected performance as covered by their annual salary, what exactly is expected as a result of salary and what is expected in excess of salary? What products do you want to cross-sell? Plans without a defined mission may languish and will certainly motivate unwanted results.

Upper-Management Buy-In: Before creating any goal and incentive plan, make sure that upper-management is completely bought in to the plan. You must have the ultimate support and leadership from your Executive Management Group and CEO. Without executive management support, all incentive plans are destined to fail. Your employees must see, hear, and feel upper-management buy-in to know the program is credible.

Unlimited Incentive Payout: Your plan should be uncapped! Though this may be controversial, capped plans stifle employees' motivation and performance. Providing no limits to an employee's earning potential sends a clear message to employees that the sky is the limit. Produce and you will be rewarded.

Trained Employees: You must not assume your employees know how to cross-sell; many do not. Order taking is out and consultative selling is in. So, train, train, train your employees to be knowledgeable about your products and services, engage customers to learn their needs, and then match the customer's need with the best product or service.

How has your goal and incentive plan impacted your organization?

"Our incentive plan encourages an internally competitive environment across our footprint. We retain an overall 'team' ethic, though, by rolling up scoring to the area, region, state, and institution level, so everyone is able to recognize the impact of their contribution to the success of the institution."

"So far the results are good."

"Our goal and incentive plan definitely drives performance!"

"Our plan is a huge motivator when we want to promote and encourage certain behavior in the branches."

"The required tracking has finally given us a much better idea of whose doing what."

"Has increased sales and internal healthy competition."

"Enabled us to compensate our folks in relation to their true contribution."

"Our program has really helped support the implementation of a sales culture."

"It has made us more proactive vs. reactive."

"Poor performers are quickly identified and eliminated."

Responses from 360 View Incentive Survey

7 Key Steps To Creating a Successful Incentive Plan

Whether or not you incorporate the common elements of successful plans shown above, we have developed a series of 7 Key Steps you should consider when tweaking your existing incentive plan or creating one from scratch.

1. Align Your Plan and Institution Strategy: Design a plan that supports your institution's strategic plan. What are the most important features for growth that your institution is looking at? Are you looking for core deposit growth, maybe it is loan growth or both? Should branch management be responsible for some controllable income and/or expense categories? Aligning your plan's mission with your institution's strategy is perhaps the biggest key to creating a successful plan.

2. Determine Product and Service Value: Identify what the true profitability is for the products and services you offer. Then determine what value you will place on these products as you create your plan.

3. Build In Flexibility: Make your plan flexible. Remember this is a program that you own, so if your corporate strategy changes during the year or within a given market, you need to be able to change the expectations of your staff to compliment your strategy changes.

4. Build In Automation: To be effective, your plan should be as automated as possible. Management, as well as employees, needs to be able to view their results on a daily basis in as near "real-time" as possible. Research has shown that a manual goal and incentive plan lacks the ability to motivate and change behavior because result feedback is not received in a timely manner.

5. Include All-Staff: Include everyone in your organization in your goal and incentive plan, not just your front-line employees. Tellers and CSRs are your number one referral source, so create a referral plan with components specifically for them. But every employee has family, neighbors, church acquaintances, so include your back-office employees in your plan as well.

6. Provide Team and Individual Components: Create a plan with both team and individual components. The team plan gives all eligible employees an opportunity to be successful. By adding the individual component, you allow the superstars to shine, and you ensure that low-performing individuals will not drag your superstars down.

7. Allow Variable Payout Periods: Look closely at your payout timing. Will you pay incentives monthly, quarterly, or a mix of both? Incentives tied to referrals may be set up for monthly payout, while incentives tied to branch performance and the building of a customer relationship, which can sometime take well over 30 days, may be set up for quarterly payouts.

If you are a financial institution seeking to grow your earnings, you can continue to lobby against further regulation or hope for increased economic stability, or you can simply dust off your old employee incentive plan and mine it for gold. If you do, remember the Common Elements of Successful Goal and Incentive Plans and follow the Seven Key Steps to increase your success.

About 360 View CRM

At 360 View, we have one mission:

To provide the best customer relationship management platform for banks and credit unions in the business. With more than 15 years of experience serving the financial industry, we understand the challenges you face and our team is committed to working with you every step of the way to ensure success.



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