

## How Incentive Plans Can Drive Positive Results

An annual cash incentive plan can be a great motivator to drive organizational results. And it all begins with a good plan design.

Each year, many organizations use these plans to reward staff, managers, and executives for good company performance. This approach recognizes the efforts throughout the year that contributed to achieving the overall results. It's a reward for a job well done.

But, what if the following year, the tide begins to shift and everyone needs to row in a different direction? An annual cash incentive plan can help steer efforts and get everyone rowing together toward the finish line.

An annual incentive plan is a forward-looking plan designed with specific goals and rewards for achieving specific results. These results can include financial, operational, or specific quality measures, at the company level or by division or group.

The [2018 - 2019 Newport Group Compensation, Retirement and Benefits Trends Report](#) findings show short term incentives are offered to a wide range of employee groups from hourly production employees to executives.

Here are three ways incentive plans may drive results.

- ▶ **Alignment with the Organization's Strategy and Goals:** It takes a team effort to achieve organizational level goals, like the scenario of everyone in a boat rowing in the same direction. To determine the direction and strides it will take to get there, begin with a leadership team discussion. Review the business strategies, short-term goals and objectives, as well as results that should be rewarded. For example, are there revenue goals? Is the organization in a growth phase, trying to expand the customer base? Will improved service levels strengthen customer relationships? Once the goals have been identified, how results will be measured and rewarded will need to be determined.
- ▶ **Clear and Regular Communication:** It's important to see progress when working toward a goal, especially when it's a team effort. This information is also critical for managers as they guide team efforts and resources. For example, if a top-line financial goal like revenue is part of the incentive plan, sales figures should be made available to track progress. If a bottom-line financial goal is part of the plan, earnings or profits should be posted. Regular communication is key for these reasons, and it's also important to ensure information is clear and understandable to everyone accountable for achieving results.
- ▶ **Meaningful Rewards:** Managers may have the most impact on the success of an organization's annual incentive plan. They must be able to plan the course and explain how individual efforts will get the boat across the finish line. For example, certain types of sales may be more profitable and employees need to know where to spend their energy. Once they know this, the reward that comes from getting the job done needs to be meaningful enough that it is appreciated by the employee. Benchmarking total cash levels in the marketplace and aligning pay opportunities with these levels is the final key to a great incentive plan.

Remember to recognize efforts and celebrate successes together along the way!

## Newport Group has Compensation Consulting Services

Our Compensation Consulting team has the expertise, experience and tools to help you deliver exceptional compensation solutions to clients across industries, from coast to coast. We can help you work with your clients to develop solutions to strategically allocate their compensation budget dollars and allow them to control expenses while attracting, retaining, and motivating key talent. Contact your Newport Group representative to learn more about our workforce, executive, and specialized compensation services. You can also download the Executive Summary of our annual *Compensation, Retirement, and Benefits Trends Report* [here](#).

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