What is an Incentive Program?

Incentive Magazine defines it as a "planned activity designed to motivate people to achieve predetermined organizational objectives." Simply put, it's a structured plan to get people to do what you want them to do.

Why do people do the things they do? It's because their behavior is being influenced by a variety of factors that motivate them. For instance, hunger motivates a person to forage for food. When an incentive (an object or event that is valued) is included with a specific goal, an individual is further motivated to achieve the goal. One of the most fundamental equations in all psychology is: **Ability x Motivation = Performance**.

Example of an Incentive Program

The Goal: Improved Attendance

Stan supervised a group of 50 people. He did a little research and came to the conclusion that each employee used an average of 10 sick days per year. He felt this seriously cut into productivity on the assembly line and he figured that cutting this figure in half, or 5 days per year, would greatly improve production figures for his department.

Stan's goal was clear: to encourage each employee to use 5 sick days per year, or less. How would he accomplish this goal? He spent some time thinking about an incentive that would be meaningful to his group, and discussed it with them. He finally decided on a catalog of gifts where each employee could choose an award in a particular price range. He came up with a budget and had it approved by management.

But how would the Improved Attendance Incentive Program be structured? If the employees had to wait an entire year to receive an award, they would probably lose interest. And what if someone had a serious illness one quarter and that ruined their chances for the award?

Stan decided that if each employee could use 1 sick day, or less, per quarter, they would be eligible to redeem an award from the catalog. This seemed to be a manageable expectation, and they kicked it off with a small party of donuts and coffee.

Each quarter, Stan called the group together and, in an impromptu ceremony, awarded the gift catalog to the employees who qualified. At the end of the year, Stan reviewed the attendance records and was able to ascertain that each employee used an average

of 5 sick days that year. This was what he wanted to achieve. Three employees actually received an award each of the four quarters that year for perfect attendance.

Stan decided to run a similar incentive program the following year.

How to Develop an Incentive Program

#1 Set Goals & Objectives

Identify what goal/objective needs to be accomplished, for example: improved attendance, increased sales, reduced cycle times, etc. The objectives must be simple, specific, and obtainable. Begin with not more than 3 clear, briefly stated objectives and communicate them to all participants.

#2 Identify the Audience

The entire employee or consumer audience is probably not your target. Identify which individuals or teams can achieve your goals and objectives; those are your program participants.

#3 Fact Finding & Involvement

Programs are always more effective if you can get input from representatives of the participant audience. Inviting input on the rules, rewards and other aspects of the program will increase ownership and engagement in the program. What steps will be necessary to achieve the goals? Do participants have the resources they need in order to achieve them?

#4 Program Structure & Budget

Build the foundation of the Incentive Program carefully, expanding on the methodology to be used. This is where you decide whether you'll use an open-ended or closed-ended program design and identify your fixed and variable costs. An open-ended program is harder to budget but can be funded through incremental sales or other gains; a closed-ended program is easier to budget and may allow for larger rewards because you'll have a set number of winners but may not be as motivating for your participant audience if the rules are not carefully structured.

#5 Select the Rewards

Rewards should be consistent with the brand of your company, and appeal to your participant audience. Don't make these decisions in a vacuum. The more you invite input from your audience on the types of rewards they'll appreciate, the more effective your program will be. Of course, your reward vehicle will need to fit within the budget parameters that you've set.

#6 Communication & Training

Decide how you will announce and launch the program. Develop a communication strategy to keep participants updated and engaged throughout the program. Branded programs are typically more effective than generic programs. Training management in

execution of the program is critically important to the success of the program or campaign.

#7 Tracking & Administration

Decide which elements you'll track and develop the system to track them. Administration may account for approximately 20% of the program budget. The right program dashboard or other technology can help to reduce the time spent on administration.

#8 Fulfillment

The more immediate, the better. Technological advances allow participants to redeem rewards online and, in some cases, the rewards may be digital. It's also important that the reward and fulfillment experience is consistent with your company's brand attributes.

#9 Evaluate & Measure

Did the Incentive Program achieve its objectives? Were the participants motivated to change their behavior? What outside factors contributed to the success (or not) of the program? Every element that you measure can inform your next program parameters to ensure greater success in the future.

#10 Celebrate Success

Communicate the results of the program with your audience. Share how the program impacted company performance and celebrate both individual and team achievements. Support from top management is critical, so make sure company leaders are involved in presentations. If you have remote workers, consider web events or other ways in which to involve all participants in the celebration.