

In the article that follows, Joseph DiMisa of Sibson Consulting discusses why companies should be very careful about offering supplemental reward and recognition programs on top of their core compensation plans.

— Editor

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The pros and cons of supplemental incentives

Many companies, particularly if there is a large sales element in the work that their customer service reps are doing, are tempted to add additional limited-term cash or non-cash incentives on top of the rep's regular compensation. They can take the form of merchandise or travel incentives, gift certificates, gift cards, etc. Reward and recognition programs such as this are very common in field sales organizations and growing more common among customer service representatives.

Joseph DiMisa, senior vice president and call center compensation specialist for Sibson Consulting, has mixed feelings about such supplemental incentive programs. "Historically, we have said that award and recognition programs should be kept at a minimum because, at the end of the day, the compensation plan that you put in place should capture all of the behaviors that you want your employee or rep to emulate," DiMisa says.

"On occasion, during the course of the year, when new products come out or situations change," he adds, "it would be perfectly acceptable to throw in a reward and recognition program. But you'd want to minimize their use as much as possible in order to keep on course with your comp plan."

The problem with such programs, DiMisa says, is that they could come into conflict with your compensation plan, "throwing your comp plan off course," as he puts it, by rewarding different behaviors. Another factor to consider is that "once you throw incentives and awards on top of your comp plan, they're very hard to get rid of," he warns. "Reps get used to making that extra money or getting other rewards, and it's hard to kick the habit. So you've got to be very careful with them."

Poor economy leads to supplemental incentives to minimize turnover

That thinking has changed slightly, however. "What's happened over the course of the last few years is that, when the economy was weaker, reps were not able to sell at the pace they were selling prior to the recession, so they were not earning the same dollar amounts," DiMisa says. "And as a result you were starting to see turnover or unrest in many sales-oriented service organizations. People were jumping ship to find jobs where they thought they could make more money, and companies

often found they were losing their best reps."

"We started to see more use of reward and recognition programs to supplement the income of reps and to keep the lid on turnover. Rather than lowering the quotas in order to keep reps whole, we saw more of these supplemental incentive programs, both cash and non-cash, being added on top of the comp plans," DiMisa says. "And that is a better strategy in our minds than to reduce quotas, because as hard as it is to pull the reward and recognition program away, it's harder to increase quotas again after you've lowered them."

What's happening now, however, is that "as the economy improves and reps are starting to make more money, as they did before the recession, those supplemental incentive programs are still in place, and we're starting to see some compensation budgets being busted because of that," says DiMisa. "So now we're back to the problem of trying to remove those things."

Supplemental incentives are short-term strategy

In the end, DiMisa says he is less dismissive of reward and recognition programs now, but he still believes that companies have to use them carefully. "It's a good short-term strategy, either for retention or to drive some short-term behaviors. If you are trying to effect a long-term change in behavior, however, you should build that into your core compensation plan."

DiMisa has seen one incentive program that struck him as an interesting variation. "This was in an account management call center, so reps managed a certain number of accounts day in and day out, making outbound and receiving inbound calls," DiMisa says. "If the rep met certain performance goals, the reward was that the rep could identify a couple of accounts that would be removed from the group that he or she handled. So in effect, the reward was removal of bad accounts."

DiMisa adds: "I thought that was an interesting strategy in a call center environment – you can remove accounts that involve more work or that aren't performing well and help yourself out over the long term. The company wasn't giving money away; the rep would have to earn it through the new accounts that were added. But I thought that was a very nice reward."

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