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## Incentive Program Design Finding the Right Carrot

By Betty Trout

High-level performance employees don't work above

and beyond the standard by accident. It usually involves training, coaching, and some type of reward structure over the standard pay-scale. This is especially true for banks. A common characteristic of top performing financial institutions is that management regards their employees' performance as an essential element that contributed to the company's success. And the behaviors these high-performing employees draw upon may involve asking questions, building rapport, or mentioning a promotional product, etc. Yet the behaviors will not happen consistently without some form of incentive. Unfortunately, many banks neither appreciate the need for, nor have the ability to design an effective incentive program. Those same banks frequently say they just can't understand why the competitor down the street is getting so many new accounts.

But what top performing banks have learned is that an incentive program is critical. Effective incentive design is based on the following motivational principle:

*People will perform in a certain manner **only** when they have expectations that those behaviors will lead to personal benefits – and those benefits are perceived as valuable enough to justify the effort.*

In other words, if you're attempting to increase deposits, fees, etc. by having your CSRs cross-sell more effectively, you must give them an incentive to perform the cross-selling behaviors required to drive the results you want. Which begs the question, how do you do that?

**FIRST**, you need objective performance standards by position; these are the results you want to see. Employees must understand, specifically, what is expected of them. Determine how they'll be measured and what the criteria for success will be. Will your standards be numbers of accounts, percentages overall, or percent of increase over

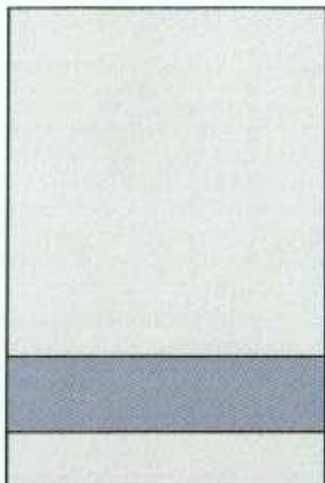
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last year or last quarter? Whatever it is, keep it simple and numerically based.

**SECOND**, determine what behaviors employees must demonstrate in order to reach the results you want. For instance, for CSRs to cross-sell at a higher ratio there are specific behaviors they should exhibit. Your incremental rewards might include an incentive for completing a "Customer Information Form" for each prospect the CSR encounters. Completing this form involves asking questions and learning information about the customer the CSR might not have learned otherwise. The end result will be higher cross sells because the CSR has established a relationship with the customer and has gained trust. So, when CSRs complete the Customer Information Forms consistently and completely, there will be higher cross-sell ratios. Cross-sell ratios, number of new accounts opened, etc. are other examples of measuring CSR behavior.

For loan officers to increase their portfolios, the behaviors to reward may be turning in completed "Officer Calling Forms" and/or "Call Reports" that indicate sales calls are being made. Other examples of behaviors to measure could be number of closed loans, percentage increase in number of loans made, etc. An increase in these behaviors will lead to more loans.

**THIRD**, decide what will you reward and how it will be rewarded. All successful incentives incorporate a "mix" of reward types. First is a financial reward; second is recognition; third is advancement opportunity within the organization. Whatever you decide, there should be a balanced approach to assign incentives to the behaviors you want to see, as well as the results of those behaviors. For example, you might want to split your financial incentive to reward a portion of it for the behavior (40 percent) and a larger portion for the result (60 percent) you're after. This ensures everyone who is performing will get some form of reward whether or not he or she makes the final quota numbers. At least they'll be rewarded for the behaviors they are exhibiting, which is the most difficult part. And if they are demonstrating the desired behaviors, the results will most likely follow.

Keep your incentive program simple and easy to administer. Behaviors should be rewarded on a monthly basis. Overall results can be rewarded on a quarterly basis with monthly status reports so everyone knows where they stand. The program should be easy to understand by everyone involved, and all associates should be on-board.

#### A few guidelines to consider:

- Make it fair and as non-subjective as possible. The more loopholes, the more it's perceived as being unfair and unattainable.
- Set aside a special time every month and every quarter to dole out rewards. Everyone should be aware of who was rewarded. It should not be done in secret. You'll get more "bang for the buck" if associates are rewarded in front of their peers. A pep rally with clapping and bowing will inject fun and anticipation into the incentive program.
- Be aware that anytime money is involved, some employees may cheat. Deal with any

dishonesty in private and don't abandon the incentive program because a few may have found a way to take advantage of the program. Make adjustments to plug any loop holes.

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Offer rewards for specific behaviors by position. Tellers should have a set of desired behaviors, CSRs another set, officers, another, etc.

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Keep everyone involved and interested. If the same person or persons gets rewarded every month, others may lose interest. Be aware of these situations and be flexible with your incentives to keep as many people involved as possible. Don't be afraid to introduce a "most improved" category if you need.

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Change the rewards every so often to appeal to different types of people. Gift certificates to nearby restaurants, day spas, etc. can be very appealing. Don't be afraid to try a special parking place or leaving an hour early as a reward. You never know what will convince someone to try a new behavior. One size doesn't fit all when it comes to rewards.

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Adjust the reward mix to attain the desired results you want. In other words, if you're not getting the results, put a higher reward on the behaviors it takes to drive those results.

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Don't abandon the plan if no one is performing. It could be they're not trained well enough, supervised adequately or there may be an attitude problem. Regardless, the plan should stay in place for the designated time period.

Remember, when you attempt to achieve results that involve new behaviors, you can't ask people to perform differently unless they've been trained correctly. In other words, if you expect a CSR to increase cross sells, no amount of incentive will work if he or she doesn't know how to do it. The same is true with officers making calls, tellers and other bank employees making referrals, etc. If they don't know how to do it, you'll never achieve the results you're after. So make sure all employees know what to do and how to do it. An investment in some form of training will pay for itself in more satisfactory results.

And finally, whether it's sales, referrals, officer calls, attendance, professionalism, etc., an incentive program that's designed to reward desired behaviors can mean the difference between success and failure. When in doubt, remember the successful bank down the street utilizes the same hiring pool as your bank, and if their employees perform better it could be that they were provided with ample training and rewards for the specific behaviors that led to results the successful bank experienced. So the lesson is if you don't have an incentive program in place, perhaps it's worth a try!

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