

# CREDIT UNION JOURNAL

## Why Your Staff Shouldn't 'Hit Lotto' With Incentives

Credit Union Journal | Monday, May 19, 2008

By John Dolan-Heitlinger

Many monetary incentive plans for frontline staff are too complicated and don't work. The following incentive features will lead to incentive structures that will work:

1) Incentives must have a positive return on investment (ROI). If you pay \$20 for selling a service that net yields to the organization \$18, that's probably a bad idea. Make sure that appropriate cost accounting, including expected cross-sales and incremental expenses and income is applied to this analysis.

2) The incentive must be tied to an important credit union goal. The goal must be discussed and thoroughly understood by everyone eligible for the incentive.

Your folks must understand why you are putting out cash for this.

3) The incentive must be large enough to be meaningful. Incentives that add up to less than 15% of a high performing staff member's pay are not much of an incentive. Fifty percent should be achievable. The larger the incentive, beyond minimal levels, the more it will drive behavior.

4) The simpler the better. If an incentive takes more than a sentence or two to explain, it is probably too complicated. If the explanation takes a page or two, it is likely to be viewed as a complex lottery by your frontline staff members that they hope to win.

5) The fewer incentives the better. If there are 15 ways to make a few extra dollars, what you have is another type of lottery, not a clear incentive plan. An incentive structure focused on one activity is easy to understand.

Two or three are OK. Four or more are too many to track for most frontline staff who are also trying to be friendly, accurate, and empathetic.

6) The staff member must be able to do what is necessary to earn the incentive. This is a function of training, talent, access to the right members, time available, and a minimum of competing priorities. Incentives that few can earn, at significant levels, are a bummer.

7) The incentive structure should require a stretch and let the stars shine. There's no need to have an incentive for basic performance; it should require superior performance.

In general, don't limit how much can be made. If a salaried staff member is willing to work smarter, harder, and longer to earn more money, that is a GOOD thing.

8) The incentive structure should require a minimal level of performance. The staff member shouldn't get paid for the first few sales or other activities. And if they don't reach that minimum performance level, that should be viewed as an overall job performance problem.

9) Incentive payments can be taken away for goofy behavior. Just because as a teller you can make \$1,000 a month cross-selling car loans does not mean you get to come in late regularly. If a staff member has an attendance, accuracy, or other performance problem you can "fine" them by taking away all or part

of the incentives earned.

10) Don't change the incentive structure often. If you change incentive targets and minimums frequently, staff members have a difficult time achieving them. They also begin to wonder if the incentive structure has the serious support of the organization.

11) Structure incentives so they cannot be easily gamed. If you have an incentive structure that people can game (cheat), you are, in effect, encouraging them to do so. It's no different than any other control procedure like double counting cash and spot audits.

Monetary incentive plans for the frontline staff are an important feature of building a sales culture. That is why practically all successful sales organizations have them.

Done well they work well. Done poorly they are worse than having no incentive structure.

John Dolan-Heitlinger consults in strategy, tactics, & metrics development with credit unions. He can be reached at [john@dolan-heitlinger.com](mailto:john@dolan-heitlinger.com). (c) 2008 The Credit Union Journal and SourceMedia, Inc. All Rights Reserved. <http://www.cujournal.com> <http://www.sourcemedia.com>

---

© 2008 Credit Union Journal and SourceMedia, Inc. All Rights Reserved.

SourceMedia is an Investcorp company. Use, duplication, or sale of this service, or data contained herein, except as described in the Subscription Agreement, is strictly prohibited.

For information regarding Reprint Services please visit: <http://www.americanbanker.com/reprint-services-rates.html>