

## Shifting culture : Clear incentives influence behaviour



## Introduction

The purpose of this document is to share emerging experiences regarding the positive application of Incentive Management schemes in an environment where shifting culture is an essential management objective to drive business performance in a toughening economic climate.

## Background

As market and customer pressures change, each of our organisations needs to act differently to provide a customer experience which will retain and grow a profitable customer base.

While our sales teams have often been considered to be 'leading the charge' with customers, increasingly the whole organisation recognises their involvement in the delivery of an outstanding customer experience. This has given rise to the balanced scorecard for sales teams, rewarding people in line with all that you need them to do.

'The Customer Comes Second : Put Your People First and Watch 'em Kick Butt' (Hal Rosenbluth and Diane McFerrin Peters) is one of many books that highlight the importance of company culture and especially how the values of front line staff determine and deliver the required customer experience.

## Typical objectives

- Develop and achieve sustained movement towards a customer-driven culture, embedding essential values including integrity, commitment, professionalism and more.
- Improve the productivity of the sales force, while ensuring that they find and recruit customers that will stay, be profitable, grow over time and will recommend others. A UK executive recently said 'we don't need people recruiting bad or low value customers....'.
- Increase the number and percentage of staff that consider themselves important to the delivery of an exceptional customer experience, helping to retain and grow profitable customers. While rewards don't always need to be financial, a company's staff do need to understand how they are contributing towards the organization and its customers.
- Ensure that middle management's leadership contribution is encouraged and rewarded.
- Help top executives 'walk the talk' through sustaining a focus on new strategies and ways of working, avoiding the easy traps of reverting to previous and long held cultural traditions.

## Shifting culture

A research-based methodology (such as described at [www.TheHaloWorks.com](http://www.TheHaloWorks.com)) can allow organisations to identify and then measure the benefits or outcomes they deliver to their customers and/or their staff. Measuring and focusing on benefits helps to make an organisation better - many research

techniques simply measure transactions or the things people do, which tend to only make an organisation busier.

Research has shown that organisations are driven by the direction of their measures. Using tailored customer research and advanced interviewing techniques with staff, bespoke measures can be defined for a business or organisation. The Halo Works company has a database of universe data which can be used to show how well or not the organisation being measured delivers benefits in comparison to others. This information shows the underlying reasons why an organisation may not be performing, and when used alongside audit or other data provides clear insights for organisations to follow.

Companies that excel in achieving a cultural shift are good at researching and understanding the 'core purpose' expected by their customers and the current delivery gap, also the existing culture and values of their staff. In most situations the required culture and values are already present, but need to be highlighted, encouraged and rewarded to close the delivery gap.

Incentive Management plans can be extended across the majority of the workforce, including all customer facing staff, middle management and executives. They can be designed to drive the behaviours required including revenue, profit, retention, service or any of these in combination.

Targets and incentives need to be carefully selected to encourage good working practices and productivity, for example:

- There should be a small number of crystal clear targets, aligned with delivering the core purpose of the organisation as customers expect it to be delivered
- Focus on outcomes rather than activities, remembering that 'focusing on benefits makes an organisation better, focus on transactions just makes it busier'....
- Avoid targets which are likely to misalign part of the organisation, or to sub-optimize or work against achieving those outcomes which are most valued by the customer
- Many targets can be shared, to encourage teaming and cooperation vertically and across the organisation
- Consider 'balanced scorecard' targets that encourage staff to take the right decision for both the business and the customer in each circumstance, re-enforcing company values such as integrity, dependency and professionalism. An example balanced scorecard for sales people might include additional measures on customer or contract retention, profitable delivery etc
- Use competent Management Information (MI) and Incentive Management systems to provide up-to-date and auditable reporting of achievement against target. Some companies now provide this information in real-time to encourage good practice through a direct and timely connection between targets, action, measurement and reward
- New policies and measures need to be implemented, evaluated and improved in hours rather than weeks or months.

## Case studies

CSAA Sees Road for Change: CSAA (the California State Automobile Association) has maintained a long-standing commitment to meet the changing needs of the communities and members it serves. The business landscape, especially for the company's insurance business, was changing; competition was strong, with new competitors emerging. Shifting customer demographics meant a greater need for customizing and segmenting products and services. Consumer demand for alternative sales and service channels was increasing. As the company evaluated its business and assessed its opportunities for next-level growth, evolving business processes and technology systems were vital to proactively addressing many of these critical external market dynamics.

CSAA have automated the design, administration, reporting and analysis of sales incentive and variable compensation for the organization's sales force. As a result, CSAA can bring new insurance products to market faster and its field agents are able to access critical sales information on demand. CSAA can also better analyze and track transactional information, which is vital towards improving customer retention, boosting sales productivity and aligning incentive compensation to corporate growth objectives.

In addition Computerworld UK recently reported that 'Utility firm Npower will go live this June with Callidus sales performance management software, enabling it to automate compensation management for its thousands of UK sales and service personnel. It wants to reduce the loss of sales staff and customers that dogs the utility sector'.

## Summary and conclusion

When a cultural shift is required (when isn't it?), good practices in MI, targeting and Incentive Management have been proven to direct and support the delivery of an exceptional customer experience and outstanding business results.

Organisations need to focus on outcomes rather than activities, remembering that 'using incentives to focus on benefits makes an organisation better, focusing on transactions just makes it busier'....

## About the author

Bryan Foss is a non-executive director and board advisor. He works closely with Professor Merlin Stone as a researcher and business writer focused on the development and deployment of innovative and challenging approaches to business governance for board directors and their senior managers.

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