

## Step 8: Program Measures

Developing a measurement strategy.

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### *Types Of Measures*

No phase of program planning is more important yet more often overlooked than measurement. Many organizations that use incentive programs—particularly as they relate to sales—proceed with incentive programs on the belief that they help drive performance and build necessary camaraderie; however, it appears that relatively few organizations actually measure and analyze return-on-investment data.

Two types of measures generally apply to most incentive programs. These include results measures, and process measures.

**Results Measures.** Results Measures track the outcome, the specific unit increase or decrease in performance related to the goal. In sales, that means more revenues or a higher profit margin of business. For an engineer, that could mean projects successfully completed, shorter cycle time of project completion or higher profit margin of projects.

**Process Measures.** Process Measures look at actions that, if repeated more often or more effectively, will lead to the desired result. In sales, a process measure could include: Make more sales presentations or make more sales calls. For an engineer, that might mean high internal or external customer satisfaction ratings or a decrease in the number of rejected solutions.

### ***Number Of Measures***

Generally, an incentive program should have no more than two to three measures. To achieve a specific performance goal, the primary measure should be the result, supplemented by one or two process measures related to the goal.

### ***Getting Data***

To track and measure performance, you need ready access to data. If you don't have the data on hand, you have to consider the impact and benefits of collecting the desired data. Today, online incentive technology and enterprise application software greatly facilitate this task.

### ***Weighting Measures***

Once you have determined your measures, you may want to "weight" them as to importance in order to appropriately reward people for the most valuable contributions.

**Example** -- You might assign a weight of 50% to a sales increase, 25% to making more presentations and 25% to making more calls. Engineers might get a weight of 50% for unit increase in projects completed annually, a weight of 25% for projects completed on time or a weight of 25% for level of external or internal customer satisfaction as measured by surveys.

## ***Developing A Measurement Plan***

Developing a measurement plan essentially involves these key steps.

### ***1. Determine The Processes And Results To Be Measured.***

Measures could include unit sales, dollar sales, repeat customers, defect percentage, customer satisfaction scores, cycle times, etc.

### ***2. Decide Upon Up To Two Or Three Related Processes Or Outcomes***

Make sure that you measure related issues, such as either sales, sales presentations conducted and repeat business or number of repairs per day, timeliness of repair report submission and number of suggestions made to repair update manual.

### ***3. Create A Basis For Comparison.***

What is the rate of unit sales, dollar sales, repeat customers, defects, customer satisfaction or cycle times to which your program's performance will be compared?

**4. Develop Unit Measures.**

Translate the numerical goal into a unit of measure that can easily be tallied against a previous, comparable period.

**Example** -- Each \$1,000 in sales is one unit of improvement; each percentage point improvement in customer service scores is one unit of improvement; each job completed without a defect equals a unit of improvement.

**5. Determine The Value Of Each Unit Of Improvement.**

Correlate each unit of improvement with a dollar value. What is the bottom-line benefit of increasing sales by \$1,000? If the incremental profit is \$500 after all expenses, then the unit increase is worth \$500. If it is worth \$400 to a company each time an engineer completes a project, then each unit increase in output over a previous period has a unit value of \$400.

**6. Determine The Award Level Per Unit Of Improvement.**

Correlate each unit of improvement with an award value to be expressed in dollars or points. You could determine that each unit of improvement is worth \$50 or 1,000 points (where a point equals five cents).

**7. Assign Weights.**

Weight each measure based on how important it is to the overall program objective. A sales incentive campaign might weight the goals in this way: sales, 50%; sales presentations, 25%, and repeat customers, 25%.

**8. Account For Improvements Resulting From A Decrease**

Some measures that go down should be calculated to show an improvement. In these cases, invert the divisor to reflect that a decline is actually a gain in performance.

**Note:** *The Master Measurement Model of Employee Performance, created for The Incentive Research Foundation (formerly the SITE Foundation) by the American Productivity and Quality Center, provides detailed calculation guidelines. The “Master Measurement Model” is available through The Incentive Research Foundation and is contained in the PDF version of this Source Book.*