

Tracking the Long-Term Impact of Incentive Programs

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OVERVIEW

Using Readily Available Employee Data to Measure the Long-Term Impact of Incentive Programs

In the past few years, companies in the United States, Europe, Australia, and parts of Asia have broadened the use of incentive travel to include many different types of employees and have become more sophisticated in the way they measure employee performance. Yet, despite the fact that the world's businesses spend more than \$10 billion on incentive travel, there is no research that gauges the long-term impact of incentive travel on organizations and their people. As a result, The Incentive Research Foundation has undertaken a multi-year effort to track organizations that use incentive travel to see how these programs affect performance and to determine what organizations can do to maximize the effectiveness of incentive travel programs.

To direct this project, Don Schultz, professor of integrated marketing at Northwestern University's Medill School, was commissioned to conduct actual on-site research at major organizations to determine what effect incentive programs have over time. In the first phase, completed in September 1994, the study surveyed over 600 U.S. organizations to find out what sort of data they already have on hand that would enable researchers to track the hard and soft impact of incentive travel programs. In the second phase, researchers worked with a major U.S. corporation that uses incentive travel to measure the long-term impact of these programs on sales and other indices of performance.

Even though Phase I of this study primarily was intended to assist researchers in the implementation of on-site research, it yielded useful information organizations using incentive travel can put into action immediately to begin gauging the long-term results of their incentive programs. The study found that organizations already have considerable information about employee performance and actions that, if collected and analyzed together over time, could paint a more accurate picture of incentive travel results than currently exists today.

The study found that most companies collect detailed information on sales, profitability, customer service, quality, and job satisfaction, but that this information rarely is combined to analyze long-term results of incentive programs. In fact, the survey found, many people involved with planning incentive programs know that this information exists, but don't use it in program development.

This report is designed to help incentive planners to consider new ways to gauge the real impact of their programs and find strategies to make them even more effective.

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STATISTICAL HIGHLIGHTS

MAJOR REPORT FINDINGS

- The types of information tracked by companies include psychological/personality and job satisfaction tests, absenteeism, turnover, performance evaluations, sales measures and customer service.
- Many of these measures can be used to evaluate the effect of incentive programs.
- Many of these measures can be converted into standardized numerical formats useful in evaluating long-term results.

Other Findings

- 85% of incentive programs measure sales; 70% profits, 68% service and 62% quality.
- 95% of companies use incentive programs for salespeople, 82% for management, 61% for customer service and 50% for office employees.
- 72% of non-sales employee incentive programs target office employees, the most frequently targeted group after sales employees.
- Only 18% of companies track job satisfaction, even though research shows a clear link between job satisfaction and performance.
- 25% of companies conduct psychological testing when hiring new employees, but almost none use this information in developing new incentive programs.
- Of companies that measure quality, less than half analyze employee product knowledge (49%) and customer retention (47%).
- Most organizations have information on absenteeism and employee turnover readily available, but do not look at this information when evaluating incentive programs.
- Most organizations have all of the necessary information to measure the long-term impact of incentive programs, but rarely is all the information collected by a single department or used together to evaluate incentive programs.

CURRENT MEASUREMENT PRACTICES

Problems with Measuring Incentive Programs

Many performance measures and evaluation efforts are based on short-term results or attitude-based surveys, causing some uncertainty in the accuracy of the information.

Short-term based: Most measures of incentive programs focus on short-term results during a specific time frame. Employees are typically evaluated on their achievements of set goals during and at the conclusion of an incentive program, but not after the program is over. Therefore, while companies can determine whether specific incentive program goals are met, little knowledge is gained of the long-term effects of these programs. For instance, did these programs encourage employees to shift business to achieve their goals during the program period, taking away from their future efforts?

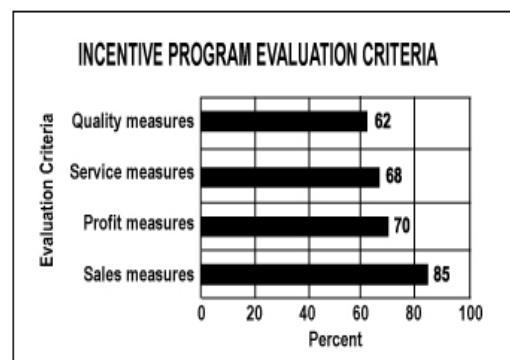
Attitude based: What little research that does exist regarding award options focuses on employees' attitudes towards incentive rewards rather than the incentives' behavioral impact. Inaccuracies prevail when employees are questioned about the attractiveness and effectiveness of various incentive programs and their rewards. Employees may be:

- Caught by surprise about the topic being researched.
- Indecisive about the choices given.
- Eager to please the interviewer with their answers.

Types of Measures Most Frequently Used

The report's goal was to gain a better understanding of the type of available measurements that could possibly be used to evaluate incentive programs in companies. Respondents indicated what types of information were already collected within the company on an individual- and company-wide basis.

The main measurement criteria include sales, profitability, customer service, quality control and employee satisfaction. Respondents rated sales measures as the top criterion for evaluating incentive programs, but the other criteria were not far behind on the scale, showing that companies are no longer just relying on sales results for incentive measures.



Percentages of this graph and others that follow total more than 100% because respondents could select multiple choices within categories.

SALES MEASURES traditionally include the dollar or unit value of sales. The percent of volume growth and sales in units are also commonly used by many firms.

SALES MEASURES:		
Specific Types Used to Evaluate Incentive Programs		
Sales Measurement	Total Percent	Most Common Use
Sales in dollars	82%	Both employee and company evaluation
Percent volume growth	68%	Company evaluation
Sales in units	57%	Employee evaluation
Sales vs. loss ratio	26%	Both employee and company evaluation

PROFITABILITY MEASURES have increased in importance as companies learn that more sales do not always equal more profits. The insurance industry uses loss ratios (the percent of premiums paid out in claims) as a form of measurement for incentive programs. Profit measures can take many forms including: total profit, return on equity investment, return on total assets, return on sales, or operating profit. Profits can either be represented in dollars or percent increases.

PROFIT MEASURES:		
Specific Types Used to Evaluate Incentive Programs		
Profit Measurement	Total Percent	Most Common Use
Profit in dollars	69%	Company evaluation
% Profit growth	57%	Company evaluation

CUSTOMER SERVICE MEASURES have increased in use as companies see that too much emphasis on establishing new accounts can result in losing current accounts, which negatively affects a company's bottom line. Instead of using a traditional short-term sales strategy (i.e., get the sale, collect the money, and move on to the next sale), an emphasis on service encourages customer satisfaction, leading to repeat business and positive word-of-mouth. According to a 1990 study published in The Harvard Business Review, "If you reduce your customer drop-out rate by 5%, you can improve your profits by as much as 100%." A company's customer service can also be measured through feedback from customer satisfaction interviews, surveys and focus groups.

**CUSTOMER SERVICE MEASURES:
Specific Types Used to Evaluate Incentive Programs**

Service Measurement	Total Percent	Most Common Use
Volume customer feedback	61%	Company evaluation
Customer satisfaction surveys	53%	Company evaluation
Employee product knowledge	49%	Employee evaluation
Customer retention	47%	Company evaluation

EMPLOYEE SATISFACTION INDICES work hand-in-hand with productivity and quality of work. It's logical to assume that a more satisfied employee who feels empowered will perform better. Attendance or absenteeism, turnover and job satisfaction surveys are measurable indices to show the level of loyalty and motivation an employee has to offer a company. In addition, psychological tests provide insights to the type of individual personalities found within the employee ranks. This information could guide program planners in developing more targeted incentive programs.

**EMPLOYEE SATISFACTION INDICES:
Specific Types Used to Evaluate Incentive Programs**

Employee Satisfaction Indices	Most Common Use
Attendance/absenteeism	Employee Evaluation
Job satisfaction	Employee Evaluation
Turnover	Employee Evaluation
Psychological tests	Employee Evaluation

Each Firm Applies Its Own Criteria

These measurements for evaluating the long-term impact of incentive programs do not apply to every organization. A company needs to first identify the types of job responsibilities its own employees have, which will help pinpoint the best evaluation criteria.

One established way to develop consistent measures is *The Master Measurement Model of Employee Performance*, a document written by the Houston-based American Productivity and Quality Center and available from The Incentive Research Foundation. It includes a step-by-step process for selecting criteria to measure the productivity of nearly every type of worker. This process requires companies to follow a prescribed system that many may not want to follow. The alternative—and the reason for this study—is to develop an incentive program measurement system that does not require a company to change its method of program development.

BEFORE YOU START

A Few Things to Think About Before Looking at the Long-Term Impact of Your Incentive Programs

1. **Psychological/personality tests are useful for incentive programs.** The information may provide clues on how to better motivate employees.
2. **The incentive program should be measurable on a long-term basis.** The incentive program results must be evaluated periodically throughout the program as well as long after it ends. Measurement over time is essential because of the possibility of employees shifting their efforts to meet incentive program requirements and decreasing efforts after the program.
3. **Benchmarking past incentive programs will be useful.** Whether incentive programs remain the same or vary, this benchmarking should be done continually. It will allow comparison of various incentive programs over time. Some benchmarking suggestions:
 - Compare current incentive program performance results to a previous incentive period or to an average of incentive performance results from multiple previous periods.
 - Compare current incentive program performance levels to performance during a time when no incentives were used. This method would create a control or “baseline” measure.
4. **Make measurements flexible.** Companies can customize measurements depending on the types of long-term information they currently track. Measures for individuals, departments and the total company can be developed.
5. **Keep components consistent.** It is important that after a company selects the appropriate components, they remain consistent and measured the same way each time for accurate comparisons. If a component is added later, total points should be calculated both with and without the new component. If a component is deleted from the measurement tool, past point systems should be re-calculated with that component excluded.
6. **The information should be in a numerical format.** Employee information collected verbally should be converted to a numerical format. For example, the answer to a common question such as “How does the employee react to criticism?” should be scaled using numbers.

MEASUREMENT COMPONENTS

The components of a long-term measurement instrument should include these parameters:

1. **Should be tracked over time.** In the event the information is tracked in another department, cooperation between the two departments would be necessary.
2. **Should represent a measurable characteristic** of employee performance which may vary over time depending on the individual's motivation level.
3. **Should be capable of measuring the success of the individual employee** as well as the overall incentive program.
4. **Should be measured numerically**, preferably in a point system or a form easily convertible to a point system.
5. **Should use an index** for ease of comparisons, and/or as an option to weight the various components based on what the company wants to emphasize. These are both useful options for the point system – for example, notice that “X 100 Index” is used in all of the following sample formulas.

DATA AVAILABLE TO TRACK

Various corporations have found ways to identify and track employee performance/behavior and attitudes over long periods of time. Descriptions of seven possible components of a long-term measurement instrument follow. Some are more apt to work than others as variables to measure long-term effects of employee incentive programs. Each discusses:

- Factors to consider
- Summary of the measurement's strength as planning tool
- Recommendations for point systems
- Formulas to implement

Long-Term Data Available To Track

Type of Information	Percent of Companies That Track This Information
Performance evaluations	93%
Sales/profit measures	92%
Absenteeism	88%
Turnover	83%
Customer satisfaction	74%
Psychological tests	25%
Job satisfaction tests	18%

Symbols Used in Equation Examples

Division	Average	Increase of Decrease	Thousand
/	Avg.	Incr. or Decr.	M

X100 Index: Points multiplied by 100 to provide an index for the purpose of easily comparing final numbers.

(Reverse): This applies only to the first options for attendance and turnover equations. If a company decreases turnover, resulting in a negative number, it is a positive improvement. Therefore, the resulting number should be reversed. If turnover increases, resulting in a positive number, then reverse that number to deduct points. This will keep the point system consistent.

WHO TRACKS THIS INFORMATION?

According to survey results, in most cases, Human Resources tracks the information from psychological tests, job satisfaction tests, absenteeism, and turnover. Someone within a department primarily tracks performance evaluations, sales measures, and customer satisfaction. Information is most commonly kept one to five years.

SALES MEASURES

Because sales measures are already often used to evaluate incentive programs, they are typically tracked in a form which may be easily adapted for use with a measurement tool for individual employees and incentive programs. According to survey results, sales measures are the only kind primarily stored in a database format, which indicates a more sophisticated, accurate tracking system. The following sales measures are used among companies most often to measure the success of incentive programs.

Sales Measures Tracked

Type of Information	Percent of Companies That Track This Information
Sales in dollars	82%
Percent in volume growth	68%
Sales in units	57%
Sales vs. loss ratios	24%

Any combination of these could be used to measure sales. If multiple measures are used, they could be given weights to total 100%.

Sales Measures Formulas

The following includes a recommended point system for each of the major types of sales measures presented.

Sales in Dollar Amounts

Current Total Total \$ Sales 5.5MM	** Past Average Total \$ Sales 4.5MM	(Current Total Minus Past Average) +1MM	Percent Incr. or Decr. 22%=	Points +22
-----OR-----				
Current Total Total \$ Sales 5.5MM	** Past Average Total \$ Sales 4.5MM	Current Total/Past Average 1.22	X100 Index 122	

** The past averages refer to either the total sales of the last period or the average of total sales from multiple previous periods.

Sales in Units

Current Total Unit Sales	Past Average Unit Sales	(Current Total Minus Past Average)	Percent Incr. or Decr.	Points
5000	5200	-200	-4%=	-4
-----OR-----				
Current Total Unit Sales	Past Average Unit Sales	Current Total/Past Average	X100 Index	
5000	5200	.96	96	

Sales in Percent Volume Growth

Current % Growth	Past Average % Growth	Current % Growth Minus Past Average	Percent Incr. or Decr.	Points
18%	16%	+2%	+13%=	+13
-----OR-----				
Current % Growth	Past Average % Growth	Current Growth/Past Growth	X100 Index	
18%	16%	1.13	113	

Sales vs. Loss Ratio

Current Sales vs. Loss Ratio	Past Avg. Sales vs. Loss Ratio	Current Total Minus Past Avg.	Percent Incr. or Decr.	Points
2.5	2.7	-.2	-7%	-7
-----OR-----				
Current Total Sales vs. Loss Ratio	Past Avg. Sales vs. Loss Ratio	Current Total/Past Avg.	X100 Index	
2.5	2.7	93	93	

Percent of Employees Contributing to Increased Sales

Because an increase in sales may result from the efforts of a few employees, a measure could be developed which takes into account how many employees improved sales. This could be done by measuring the percent of employees who increased sales compared to a past average measure of the percent of employees who increased sales. For example ...

Current Total % Employees Increasing Sales	Past Avg. % Employees Increasing Sales	Current Total Minus Past Avg.	Percent Incr. or Decr.	Points
60%	55%	+5%	+9%	+9
-----OR-----				
Current Total % Employees Increasing Sales	Past Avg. % Employees Increasing Sales	Current Total/Past Avg.	X100 Index	
60%	55%	1.09	109	

Individual Sales In Units

Aside from the measurement instrument, these formulas can also be used to evaluate performance on an individual employee level. Employee measurements can then be tracked and compared to each other. Multiple variables should be evaluated such as sales, profits, and customer service. Following is an example of an individual employee's increase in unit sales:

Smith's Current Unit Sales	Past Average Unit Sales	Current Total Minus Past Avg.	Percent Incr. or Decr.	Smith's Points
35	30	+5	+17%=	+17
-----OR-----				
Smith's Current Unit Sales	Past Average Unit Sales	Current Total/Past Avg.	X100 Index	
35	30	1.17	117	

PROFIT MEASURES

Some 70% of total respondents indicated that their companies utilize profit measures to evaluate incentive programs. Because of the current use of profit measures to evaluate these programs, they are typically tracked in the numeric form required for use in the measurement instrument. Types of profit measures primarily used among companies to measure the success of incentive programs include:

- Profits in dollars (69%)
- Percent profit growth (57%)

Profit Measure Formulas

The following includes a recommended point system for each of the major types of sales measures presented.

Profits in Dollar Amounts				
Current Total Total \$ Profits 4MM	** Past Average Total \$ Profits 3.5MM	Current Total Minus Past Average +.5MM	Percent Incr. or Decr. 14%=	Points +14
-----OR-----				
Current Total Total \$ Profits 4MM	** Past Average Total \$ Profits 3.5MM	Current Total/Past Average 1.14	X100 Index 114	

** The past average refers to either the total profits of the last period or the average of total profits from multiple previous periods. These point systems should only include measures from employees who are targeted by an incentive program.

Percent Profit Growth				
Current % Profit Growth 17%	Past Average % Growth 15%	Current % Growth Minus Past Average +2%	Percent Incr. or Decr. +13%=	Points +13
-----OR-----				
Current % Profit Growth 17%	Past Average % Growth 15%	Current % Growth/Past Average 1.13	X100 Index 113	

CUSTOMER SATISFACTION MEASURES

Companies must have the ability to customize the customer satisfaction point system, because many types of measures may be used. If multiple customer service measures are used, the measures could be weighted accordingly to total 100%. The four types of customer satisfaction measures listed on the survey and their response rates were:

1. **Customer feedback** (61%): Many companies apply or deduct a set number of points for positive and negative feedback such as a praising phone call or a complaint letter from a customer. The point system could also include various levels indicating the degree of positive or negative feedback.
2. **Customer satisfaction surveys** (53%): These survey results often already have a point system established. If so, they can easily be implemented into the measurement instrument by comparing current average scores to past average scores in a similar manner as employee performance evaluations.
3. **Employee product knowledge tests** (49%): Tests, which are used to gauge employee product or service knowledge, can be measured in a similar manner to employee performance evaluations. Average test scores can be compared to average past test scores.
4. **Customer retention** (47%): The rate of customer retention could be measured in a similar manner as turnover. To calculate a customer retention rate, divide the number of customers retained by the total number of customers at the beginning of the year. Compare this to the average rate of customer retention during previous years. This point system, similar to the turnover point system, should have the appropriate figures reversed to account for positive improvement.

Among the 74% of respondents who indicate their company tracks customer satisfaction, 62% claim someone from within a department is responsible for tracking this information rather than human resources. **Customer service is an increasingly popular and valuable measurement tool for incentive program measurements.**

Customer Service Formulas – Percent Increase or Decrease				
Current Total Customer Feedback	Past Average Customer Feedback	Current Total Minus Past Average	Percent Incr. or Decr.	Points
5000	4500	500	+11%	+11
Current Average Cust. Sat. Surveys	Past Average Cust. Sat. Surveys	Current Total Minus Past Average	Percent Incr. or Decr.	Points
500	480	20	+4%	+4
Current Total Customer Retention Rate	Past Average Customer Retention Rate	Current Total Minus Past Average	Percent Incr. or Decr.	Points
.95	.80	.15	+19%	+19

Customer service formulas on an index basis (X100 Index) are shown on the following page.

Customer Service Formulas – X 100 Index

Current Total Customer Feedback	Past Average Customer Feedback	Current Total/Past Average	X100 Index	Optional Weight	Points
5000	4500	1.11	111	.11	12..2
Current Average Cust. Sat. Surveys	Past Average Cust. Sat. Surveys	Current Total/Past Average	X100 Index	Optional Weight	Points
500	480	1.04	104	.10	10.4
Current Total Customer Retention Rate	Past Average Customer Retention Rate	Current Total/Past Average	X100 Index	Optional Weight	Points
.95	.80	1.19	119	.09	10.71

*** The past average refers to either the total rate of turnover during the last period, or the average of the rate of turnover during multiple previous periods. These point systems should only include measures from employees who are targeted by an incentive program. Some figures are reversed so the point systems account for improvements.*

EMPLOYEE SATISFACTION MEASURES

This guide includes formulas for four indicators of employee satisfaction: Absenteeism, turnover, job satisfaction/psychological tests, and job performance.

Absenteeism

Employee absenteeism refers to the amount of scheduled work time employee(s) neglect to fulfill. Continual absenteeism has been proven to be inversely related to job satisfaction and implies a lack of motivation. An individual's degree of absenteeism can be affected by group- or unit-level incentives. For example, monetary incentives are provided to all members of a department only when each group member's absences remain below a designated level set by the employer. An additional factor to consider when measuring absenteeism is how each company specifically defines the term (such as whether to include personal days and vacations). Whatever the case, use the chosen definition during each of the measurement time periods. Although this measure is tracked by 88% of respondents' companies, it is not typically tied in with employee performance during incentive programs.

Absenteeism should be highly considered as a possible component for the measurement instrument, because it is information measured on an individual and/or company level in most companies. Absenteeism is a potential variable to add to a long-term measurement tool for rating incentive programs.

Absenteeism Formulas

Unlike sales measures, absenteeism is a measure that indicates a positive improvement when the frequency lowers. Since the total number of employees during different time periods may vary, the number of absentee days during a time period should be divided by the total number of employees to calculate the rate of absenteeism:

$$(\text{Rate of Absenteeism} = \# \text{ of days absent} / \text{number of employees.})$$

Absenteeism					
Current Total	Rate of Absenteeism	** Past Average Rate of Absenteeism	Current Total Minus Past Average	Percent Incr. or Decr.	Points
	1.01	1.09	-0.08	-8%	+8 (Reverse)
-----OR-----					
Current Total	Rate of Absenteeism	** Past Average Rate of Absenteeism	Past Avg./Current Total	X100 Index	
	1.01	1.09	1.08	108	

** The past average refers to either the total rate of absenteeism during the last period, or the average of the rate of absenteeism during multiple previous periods. These point systems should only include measures from employees who are targeted by an incentive program.

Employee Turnover

According to background research, turnover is typically defined as “the number or percentage of employees who have withdrawn from their jobs and have been replaced within a year.” While survey results indicated that turnover is tracked by 83% of respondents’ companies, it is not currently used to evaluate long-term impact of incentive programs. Additional factors which should be considered when measuring turnover include:

- How does the company define turnover?
- Does a company’s definition of turnover include employees who were with the comp any for less than a year?
- Does this definition include employees who are on leave during the time of the data collection?

Some problems exist with the use of turnover as means of measuring the long -term impact of incentive programs. For example:

- Multiple definitions of turnover (some define it as the number of new staff vs. number of withdrawn employees).
- Data, such as employee time sheets and payroll, are not always available because of confidentiality.
- Records are scored only at facility headquarters.
- Turnover is typically a measure of past employees, and not necessarily a useful tool to measure individual performance of current employees in an incentive program.

In summary, turnover can only serve as a company -wide measure (not an individual measure) of the long-term success of an incentive program.

Turnover Formulas

$$\text{Turnover} = \frac{\text{\# of withdrawn employees}}{\text{total number of employees}}$$

The above formula was used to derive the example turnover rates in the following formulas. As turnover decreases, use of this formula will indicate a positive improvement.

Turnover				
Current Total Rate of Turnover	** Past Average Rate of Turnover	Current Total Minus Past Average	Percent Incr. or Decr.	Points
.03	.04	-.01	-25%	+25 (Reverse)
-----OR-----				
Current Total Rate of Turnover	** Past Average Rate of Turnover	Past Avg./Current Total	X100 Index	
.03	.04	1.25	125	

*** The past average refers to either the total rate of turnover during the last period or the average of the rate of turn over during multiple previous periods. These point systems should only include measures from employees who are targeted by an incentive program. Some figures are reversed so the point systems account for improvements.*

Job Satisfaction/Psychological Tests

Although job satisfaction test results are only tracked by 18% of respondents' companies at this time, the strong relationship between job satisfaction and motivation make this a valuable tool in the development of a measurement instrument. The point systems for job satisfaction tests should be similar to those of employee satisfaction. The current average score on job satisfaction tests should be compared to the past average score.

Psychological Testing: Psychological/personality test results are tracked by 25% of respondents. These tests are primarily used on a one-time basis during the hiring process. Tests are conducted either orally or in written form, though written tests are less subjective. The following standard psychological tests can be purchased for corporate use: The *Myers-Briggs Type Indicator* (the most common test used by respondents); *Sixteen Personality Factors Questionnaire*; *Personal Profile System* by Performax; and *Hall Occupational Orientation Inventory*. Psychological testing appears to be a useful tool for understanding what motivates employees on a continual basis. This information could definitely be linked to development of appropriate incentive programs.

Job Satisfaction Tests: Although not widely used in companies, job satisfaction tests are important when considering employee motivation and incentive programs. Of the 18% of respondents' companies that utilize job satisfaction tests, 67% administer the tests approximately once a year, 17% more than once a year and 15% on a one-time only basis. 1% of the respondents chose "other". Most companies that use job satisfaction tests develop their own. Several others include: *Job Diagnostic Survey (JDS)*, the second most popular after in-house tests; *Minnesota Satisfaction Questionnaire*; *Job Descriptive Index (JDI)*; and *Brayfield-Rothé Job Satisfaction Scale*. Managers would benefit by tracking information on employee job satisfaction and performance.

Job Performance

Job performance evaluation influences an employee's chance of earning a raise or promotion. This data is typically evaluated and recorded over time to be used by supervisors in making management decisions. It has primarily been measured by the degree an employee reaches a quantity requirement or satisfaction of a pre-conceived corporate standard for effective behavior.

Approximately 93% of all respondent companies track evaluations, primarily to evaluate individual employees. But the evaluations may also be accumulated or averaged to analyze trends in performance of departments or the entire company in relation to incentive programs. Monitored over time, it could possibly be incorporated into a measurement instrument for measuring the long-term impact of incentive programs.

Job Performance Formulas

Averages may be used to determine overall performance during a time period. Assume an average of 500 points was earned during the most recent employee performance evaluations, and an average of 450 points was earned during past employee performance evaluations.

Job Performance				
Current Average Points	** Past Average Points	Current Avg. Minus Past Average	Percent Incr. or Decr.	Points
500	450	+50	11%=	+11
-----OR-----				
Current Average Points	** Past Average Points	Current Average/Past Average		X100 Index
500	450	1.11		111

*** These point systems should only include measures from employees who are involved with an incentive.*

EXAMPLE MEASUREMENT TOOLS

Option 1 – Current minus past performance

Area	Current	Past	(Current Total Minus Past Average)	Percent Incr. or Decr.	Points
Sales	Current Total \$ Sales 5.5MM	** Past Average Total \$ Sales 4.5MM	+1MM	+ 22%	+ 22
	Current Total Unit Sales 5000	Past Average % Growth 5200	-200	- 4%	- 4
	Current Total % Employees Increasing Sales 60%	Past Avg. % Employees Increasing Sales 55%	+5%	+ 9%	+ 9
Profits	Current Total \$ Profits 4MM	Past Average Total \$ Profits 3.5MM	+5MM	+ 14%	+ 14
Absenteeism	Current Total Rate of Absenteeism 1.01	Past Average Rate of Absenteeism 1.09	-.08	- 8%	+ 8 Reverse
Turnover	Current Total Rate of Turnover .03	Past Average Rate of Turnover .04	-.01	- 25%	+ 25 Reverse
Customer Satisfaction	Current Total Customer Feedback 5000	Past Average Customer Feedback 4500	500	+ 11%	+ 11
	Current Average Cust. Sat. Surveys 500	Past Average Cust. Sat. Surveys 480	20	+ 4%	+ 4
	Current Total Customer Retention Rate .95	Past Average Cust. Retention Rate .80	.15	+ 19%	+ 19
Job Satisfaction Test	Current Avg. Job Satisfaction Test 900	Past Average Job Sat. Test 875	25	+ 3%	+ 3
Total Points: 111					

Option 2 – Current divided by Past, Indexed and Weighted

In this example, more weight was given to the focused goal of employee retention measures. If the incentive program goals were more performance-driven, the sales and profit measures would have received more weight. Make sure the measures included in the measurement instrument remain consistent during periods prior to the incentive program and in the future.

Area	Current	Past	Current Total/Past Average	X100 Index	Optional Weight	Points
Sales	Current Total \$ Sales 5.5MM	Past Average Total \$ Sales 4.5MM	1.22	122	.09	10.98
	Current Total % Employees Increasing Sales 60	Past Average % Employees Increasing Sales 55	1.09	109	.08	8.72
	Current Total Unit Sales 5000	Past Average Unit Sales 5200	.96	96	.08	7.69
Profits	Current Total \$ Profits 4MM	Past Average Total \$ Profits 3.5MM	1.14	114	.09	10.26
Absenteeism	Current Total Rate of Absenteeism 1.01	Past Average Rate of Absenteeism 1.09	1.07	107	.12	12.84
* Turnover	Current Total Rate of Turnover .03	Past Average Rate of Turnover .04	* 1.33 <u>Past Avg</u> Current Total	133	.12	15.96
Customer Satisfaction	Current Total Customer Feedback 5000	Past Average Cust. Feedback 4500	1.11	111	.11	12.2
	Current Average Cust. Sat. Surveys 500	Past Average Cust. Sat. Surveys 480	1.04	104	.10	10.4
	Current Total Cust. Retention Rate .95	Past Avg. Cust. Retention Rate .8	1.19	119	.09	10.71
Job Satisfaction Test	Current Average Job Sat. Test 900	Past Average Job Sat. Test 875	1.03	103	.12	12.36
				TOTAL	100%	112.12

* The turnover calculation above is reversed (Past Average/Current Total) in order to derive a positive measure of the turnover reduction.

RESEARCH METHODOLOGY

This report was written using information from the report – *Using Currently-Tracked Employee Information As Long-Term Measurements to Evaluate Incentive Programs* – written by Cathy Hartman and Jolene Eckert at Northwestern University as part of the Integrated Marketing Communications Program under the direction of Don Schultz, professor of marketing. The report contains results of a survey conducted by the authors. The survey, a four-page booklet, was mailed to 5,000 company representatives across the U.S. who were registered attendees of *The Premium Incentive Show* (New York) and *Motivation Show* (Chicago). The response rate was 12.5% completed surveys, for a total of 623.

Note: Most of the charts show percentages totaling more than 100% because respondents could select multiple choices within categories.



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