

INCENTIVE PLANS

INCENTIVE PLAN DESIGN IS THE PROCESS OF ASSESSING AND IMPROVING A CURRENT PLAN OR DESIGNING A NEW PLAN THAT SUPPORTS THE ORGANIZATION'S COMPENSATION PHILOSOPHY AND EMPLOYEE ATTRACTION AND RETENTION

WHY INCENTIVE PAY DESIGN IS ESSENTIAL:



- Helps align employee behavior with organizational goals
- Ensures the incentive plan meets company objectives
- Delivers additional compensation when near-term goals are achieved

DO

1. Incent employees to meet or exceed goals and reward top performers
2. Have measurable and achievable goals aligned with company strategy
3. Increase plan funding when financial targets are exceeded



DON'T

1. Include subjective measures
2. Turn it into a bonus or profit-sharing plan
3. Have more than 2-3 performance measures and over-complicate the plan



CLIENT STORY

Situation: A client's short-term incentive plan (STIP) was more of a "guaranteed" bonus plan than an incentive plan. Net income was only 62% of target, but STIP payments were 84% of award targets. Performance measures were heavily weighted towards individual performance, and every participant had meets expectations or higher performance ratings.

Solution: We recommended adjusting the performance measures weightings so every participant has a minimum 50% weighting on company performance. Participants were motivated to help the company meet its financial goals!

WHY HIRE US?

Our team of compensation experts works with you to design customized incentive plans that meet your needs. Our library of data and tools is leveraged throughout the design process, saving you time and money.



CompensationWorks