

# How Much Should We Spend On Bonuses If We Meet Our Goal?

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I recently attended the annual convention of the International Association of Reservation Executives (IARE). The conference was excellent, probably the most “information packed” of the many different conferences that I’ve attended. If your contact center has anything to do with reservations, this is an excellent association and conference.

During a break-out session, a question was asked about how much should be spent on bonuses if a group achieves their sales target for the quarter. Sometimes management dictates the amount and sometimes the call center requests an amount; but what is the right amount? The question arises in almost every sales-focused contact center yet it is based on numerous operational misconceptions. Those asking this question should step back from the trees and look at the forest.

Let’s look closely at the inherent presumptions in the question and then explore the real objective. The question implies that the bonuses would be paid at the conclusion of the contest and that the total amount of money available might be finite regardless of the number of agents.

One of the best ways to shape behaviors is to break-down large activities into their smallest components and reward them as they happen; often referred to as “rewarding the daily homework.” Constant feedback and positive reinforcement are not only very powerful motivators; they fulfill critical needs of Gen X & Gen Y employees. Therefore much more mileage per incentive dollar will be achieved if sales quotas are broken-down into daily amounts and rewarded as they are met. This also eliminates the “I’m so far behind that I’ll never make it” syndrome that often requires major changes to incentive programs mid-stream. The lesson: set daily goals.

Likewise one way to negatively impact call center agents (or any group for that matter) is to play “musical chairs” with the rewards pool. There will be a limited number of winners or the finite reward amount will be divided by the winners. The more winners there are, the smaller your portion will be. If it is a good thing for an individual to accomplish a sales goal, then don’t limit the reward to a pre-set number of the highest winners. The lesson: reward all for accomplishing a goal.

So what is the right amount? Somewhere there must be the magic number that is not too much and not too little. I call it the “goldilocks” amount because it’s just right to elicit the optimum performance improvement for the money. Whether your agents are inbound, outbound, blended, customer service or sales, we would all like to improve some or all of the major contact center metrics: schedule adherence, attendance, sales per hour, dollars collected, first call resolution, improved quality scores, better data accuracy, reduced early-stage turnover and others. Yet we daily face the conundrum of spending too much or too little. Research has shown that KPI’s can be moved by at least 20% when spending two hours worth of labor cost and spending more than 3% of payroll does not generate incremental effort. Therefore, my rule of thumb (works with all currencies) is the “two hour” rule. If spending \$12 per hour for labor, plan on spending around \$24 per month for each FTE. To me, that’s an excellent ROI which management should heartily endorse.

To achieve the “right” amount often requires changing the way the question is phrased. This is not only an educational opportunity for operational management, but more importantly for senior management.

**About Snowfly:** Snowfly is the leading provider of Internet based employee incentive and loyalty programs. Snowfly's incentive system allows contact centers to harness the enormous motivational power of immediate positive reinforcement to focus employee behavior on company objectives. Compared with home-grown programs, Snowfly improves KPI's by at least 20% (sales, availability, adherence, attendance, call quality, turnover), reduces a huge administrative burden and reduces costs. The results are easily seen within weeks and there is no long term contractual obligation. Snowfly customers include multiple Blue Cross/Blue Shield providers, Hyatt Hotels, Time Warner Cable, financial institutions, utility companies, cable/satellite providers, various BPO companies (business process outsourcers), and collection departments/agencies. Snowfly's web site: [www.Snowfly.com](http://www.Snowfly.com). For more information, contact Robert Cowen at 248-324-1161 or email [rcowen@snowfly.com](mailto:rcowen@snowfly.com).