Fooled by the Numbers… Goal Setting Warnings
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A lot has been written about goal setting theories, and how to set goals to engage employees in our incentive programs.

Nevertheless, there are times in program designing that by focusing in employee involvement we loose sight on the possibility of not reaching the overall Company's' goals, while "spending" big money on incentives, and failing on delivering the incentive program's results.

Let us look on three examples.

1. Airline counter agents: for each $0.10 on each flight they surpass their station quota, the agents who documented that flight receive one point
When the airline has a system which can track the agents participating on each flight documentation, the number of passengers of each flight, and the luggage charges for each flight, it is possible to determine the agents result of each flight, and it makes sense to think that since all agents will be motivated for earning points, their station will surpass its goal, and the company will make enough money to pay for the points having a positive return on their investment. WRONG, if we look at this scenario more carefully we will find the following.

- The agents have partial control on the amount of baggage being documented by the passengers, and they can get lucky, for example, if an orchestra is traveling in a flight, the musicians will need to document their instruments, and the agents who document that flight will get "zillions" of points that the airline has to pay, getting the same revenue that would have got if there were no incentive program at all.
- If we run a scenario all of the flights of the month, we may realize, that even if the participants do not do any additional effort, they will still receive a lot of points, with the big possibility of not reaching their station goal, and of course the overall objective.

2. Candy retailers: for each $100 they exceed their quarterly quota in purchases they receive a point.
The company wants to increase its sales, so it implements a dealer program to motivate its wholesalers' clients, the retailers, to buy more, setting a purchase amount as a goal, and offering incentives for every $100 they surpass that goal.

- Looking closer at this scenario, we will see, that the company might be fostering sell in, but not the sell out, and the consequences might be that on the first three quarters, the retailers might buy some over stock to win the incentives, and they might not buy anything on the fourth quarter getting to an overall result of $0, 0% annual growth, on which the whole program was only a big expense for the company.
- Another thing… devolutions, there is an open door for giving points to the dealers, and once they redeem them, they can send you back the product because their lack of sales.

3. Sales force: If they meet their monthly quota they will receive a point, and every 10% they surpass their monthly quota, they will receive one additional point.

Most of the sales incentive programs have this kind of rules design and it makes a lot of sense: The Company is willing to invest in rewards if the audience performs accordingly to the company's expectations, which should be a challenging but achievable goal.

- They start receiving points by just meeting their quota, which could make sense, since the participant delivered, the Company should reward him. But, if we look at this issue from a financial point of view, we will find out that the budget might have considered a 10% increase of sales without the cost of the program, so unless the program starts rewarding from a point above their quota which enables the creation of additional revenue from which the program will get paid, leaving a positive return, there will be a strong possibility that this program will become more a cost than an investment.
- There are no limits for winning points, every 10% increase gives the participant an additional point,
- This program is rewarding the result and not the action or behavior needed to get that result, misses the opportunity to share best practices or to having the sales top performers to excel in their administrative tasks.

Suggestions to avoid being fooled by the numbers:

1. Never lose sight of the audience involvement ingredient

Even when we are trying to maximize the return on the investment of our programs, it is imperative that the participants look at the program's rewards as their personal goals; and the only way to get that is with fair and reachable goals. In other words, the program goals must drive financial results to be self-paid, and at the same time, the audience must perceive the goals fair and reachable, so they can get motivated to achieve these goals.

It is always tempting from the financial point of view to set cumulative goals to the audience, for instance, they need to get $50 by the first quarter, $100 by the second, $150 by the third, and $200 by the forth, so we can "optimize" the overall award investment. But this strategy might get counterproductive when the participants that did not meet their first and second quarter goals, find the next goals impossible for them to achieve; because furthermore than reaching the third quarter goal to win points, they must get even with the first and second ones, so it is likely for them to decide not to give the extra effort that the program requires, so the overall program result will not be as good as expected.

2. Run complete scenarios avoiding the use of averages

On a participant by participant basis, run at least the following scenarios and answer its questions:

a) Scenario 1: 100% participants win the highest award.
    - How much money does this make for the Company?
    - What is the investment amount required for variable costs (awards and fulfillment)?

- What is the overall return on investment of the program?

b) Scenario 2 (when possible): 100% participants win an award, but no one achieved his overall program's goal.
   - Does the program make any money for the Company? How much?
   - What is the investment amount required for variable costs (awards and fulfillment)?
   - What is the return on the investment of the program?
   - What locks or design changes can be set to avoid this scenario?

c) Two scenarios in between: 1) The Company reaches its goal and 2) the company does not reach its goal with the same questions

This will allow us to understand how the program will perform, and where are the gaps that can jeopardize the program's success.

It is important to avoid using averages, for instance, let's suppose that we have 25 teams of manager and salespersons, and the company tells us that there is a ratio of 10 salespersons per manager, and that only three teams will win every two months.

How many participants will win every two months? 33 right? 30 sales persons and 3 managers; so we make the awards and fulfillment budget considering 33 winners every two months.

Then we launch the program and realize that there are teams from four to 44 persons, which will affect our budget, all because the ratio 1/10 was an average.

3. Always set a ceiling (cap), open ended programs may increase the costs more than necessary

Let's go back to the airline example: for each $0.10 on each flight they surpass their station quota, the agents who documented that flight receive one point.
When one single flight surpass the quota on $5.00, the participants will receive 50 points, and this could be the only flight on which this station met its quota, so the company did not meet its goal.

Instead of that, the program rules could say: we will give the agents, who documented the flight 1 point on each flight they surpass their station quota from $0.10 to $0.50, 2 points from $0.51 to $1.00, and 3 points from $1.01 on and this will not demotivate the participants, but will foster them to work harder on each flight.

Thus, setting ceilings can improve the return on the investments of incentive programs without losing their audience involvement.

4. When acceptable, set "locks" or conditions that must be achieved for earning points

When the Company's focus is on customer service, ant it has an objective way to measure it, let's say, by branch, we can say, the customer service's indicator will not give any points, but it is required for every branch's participant to win points, then you will have all the personnel of the branch thriving for customer service.

We need to be very careful, not to set these locks on team goals when we are rewarding personal goals, for instance, it would not be perceived as fair for a top performer to deny him the points that he won, because his team, branch, region, etc, did not reach its goal.

5. Add qualitative measurable results to the equation… reward the behavior that leads to results

We must always try to reward execution, if execution does not explicitly makes the money we are trying to get with the program, then we should tie the execution reward to a result one.

For example, on sales programs we could set the following rules:

1. 8.5% Increase on Sales: it will not make any points
2. CRM complete and on time: 15 points per month, but requires the sales goal to earn these points.
3. 15 customer visits per day: 15 points per month, but requires the sales goal to earn these points.
4. 10 new customers per month: 30 points per month, but requires the sales goal to earn these points.

Conclusion,

We can get easily fooled by rules, goals and numbers that make completely sense, and run a terrible program that not only will not give the results the Company is expecting, but also getting the audience demotivated and disengaged with the Company.

Therefore, we must do our homework before launching a program, to understand how it will behave, and to be able to make the right decisions at the right time.