



Incentive Budget Design:

How to Get Upper Management's Approval

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One of the most challenging hurdles for any incentive planner is to walk into their CEO's office and gain budget approval for their million-dollar incentive program. We've seen conversations capsize over recent corporate downturns, poor earnings reports, an unforeseen merger, or simply because the CEO is having a bad day.

Even though finding the perfect timing may be out of your control, presenting a rock-solid, foolproof incentive budget isn't. No matter what challenges lie on the other side of the door, your ability to answer tough budget questions and present your program rationale is paramount to success.

Here are detailed steps that will help you achieve upper management budget approval:

- 1) **Make it personal.** Ideally, using your own employee data will have the most impact. These statistics are typically found in Human Resources, and gathered through exit interview data, employee satisfaction surveys, and financial impact studies surrounding the organization's churn. If you don't have data, there is a magnitude of industry statistics available online that demonstrates how unrecognized employees do not perform well. We recommend the Incentive Research Federation (<http://theirf.org>) as a reliable resource.
- 2) **Details are king.** Outline clear incentive objectives to be achieved and then demonstrate how the results will be measured. Take on a critical issue such as "high employee turnover" or a "decline in sales", and apply a strategy that shows how your program will achieve these goals. From there, forecast how the financial benefits will outweigh the costs associated with the current budget.
- 3) **Assign accountability.** Schedule regular reviews to keep stakeholders informed and create a process for measuring success that shows how you plan to hold your team accountable for specific milestones.
- 4) **Accentuate ROI.** Incentive and recognition programs, when planned and designed properly, will always have a positive business impact. Those outcomes may have a financial correlation that can produce a benefit-over-cost ratio or ROI percentage. Upper management will appreciate this foresight and smart thinking. VIKTOR uses the ROI Methodology taught through the ROI Institute (<https://roiinstitute.net>).
- 5) **Show sustainable results.** Track ROI, year-over-year, to show senior leaders that your incentive program is a reliable revenue generator. This will ensure that it won't become a target for cuts when financial problems arise.
- 6) **Showcase your buyer assets.** Economies of scale purchases and collective cost savings provided by third party vendors can equal millions in savings. Make sure you are tracking these expenses across all divisions within your organization, specifically highlighting how air and ground travel, hotel and offsite venues, and the merchandise spend is being negotiated. Don't forget multi-year contracts, which also produce significant cost savings.
- 7) **Build strong supplier relationships.** With today's online procurement tools, it is easy to become reliant on search technology and online RFPs. To effectively negotiate expenses, there needs to be personal rapport and trust that comes through face-to-face meetings and relationship development. Your supplier will grow to share your enthusiasm and commitment to the program's success, fostering a win/win approach that brings with it a greater willingness to negotiate savings and concessions, and find the right solution—one that is not available through online sourcing tools.
- 8) **Include education.** Senior leadership needs to see that their incentive programs bring more than a trip or reward to their organization. Make sure you cost in education and work with your HR and sales training teams to set a meaningful education agenda. Additionally, at the launch of the program, teach managers the rules for effectively giving rewards and recognition.
- 9) **Show the long-term impact.** Incentive budgets frequently focus on short-term results. Make sure your results are aligned with the longer business strategy of your organization. Take into consideration overall revenue growth goals, possible marketing and administrative goals, and even your aspirations to attain the "Best Place to Work" or Fortune 500 status.

Your CEO will appreciate the thoroughness and foresight you put into being well-prepared, and by including your business objectives, you will have demonstrated that your program's impact means more to the organization than a trip or tangible reward.

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