***G**ibaran **J**ournal of **A**pplied **M**anagement*
***V**olume 3*

June 2010

A critical evaluation of the role that employee incentive programs play in determining improved strategic outcomes in a small to medium sized retail businesses

Martin Haese[1]

Abstract

Many sales and customer service orientated organisations employ staff incentive programs as a means of driving and rewarding various strategic objectives. The objectives that organisations seek to reward may change from time to time, however, they typically include providing staff incentives to secure sales growth, increased market share, margin growth, profit growth, reducing costs, promoting new products and services, clearing specific stock lines, or a combination of the aforementioned. The objectives may also form part of an organisation's overall commitment to raising its levels of customer service.

The purpose of this paper is to explore the strategic implications of crafting, implementing, managing and reporting upon these types of initiatives. In doing so, this paper identifies and critically analyses how these programs can either positively or negatively influence an organisation's human resource planning, recruitment, selection and placement, staff training, performance management, pay structure decisions and employee retention rates. This paper draws upon the experiences of a customer service orientated retail business called Youthworks. However, the findings may equally apply to other small to medium sized retail operations in Australia and possibly beyond. The observations and analysis in this report serve as a road map that addresses the issues associated with implementing an effective employee incentive program.

Keywords: staff incentive program, human resource planning, staff recruitment, staff training, small and medium size business, retail business

Introduction

Youthworks is a retail fashion business that has a 15 year history of retailing in Australia. Originally founded in 1993, over a period of 12 years the company grew to 17 stores located across Adelaide and Melbourne. The majority of the stores were sold in 2005 to a publicly listed company and by mid 2006 the same publicly listed company had wound down and closed the business after having made substantial changes to the supply chain, market position and human resource management practices. After re-acquiring the intellectual property in early 2007, the Youthworks business was re-invented and re-launched in September 2007 by the original founder.

[1] Managing Director at Retail IQ, Adelaide, Australia

A critical evaluation of the role that employee incentive programs play in determining improved strategic outcomes in a small to medium sized retail business

Martin Haese

Youthworks is now located in the heart of Adelaide’s central business district and stocks premium quality branded men’s apparel, footwear and accessories. The store also contains a hairdressing salon which caters for both men and women. The business is managed and staffed by a small number of new and longer serving employees who have made a substantial contribution to the good name, reputation and performance of business over a number of years.

Since 1993, employee incentive programs have played an important role in producing improved strategic outcomes at Youthworks. Over the years, those programs have taken various forms and have played an integral part in determining the composition of the company’s overall strategic human resource management practices.

Orientation

This project evaluates the rationale, composition and results attributed to the various employee incentive programs implemented by the management of the company. This paper critically analyses how the programs have influenced the company’s human resource planning, recruitment, selection and placement, staff training, performance management, pay structure decisions and employee retention rates. The report explains how employee incentive programs are aligned with the company’s strategic objectives and how they are designed to support the strategic objective of differentiating the business in a crowded and competitive marketplace by the provision of superior levels of customer service. This report also examines how the company’s employee incentive programs have been designed to enhance the effectiveness of the company’s customer relationship management (CRM) program.

In order to provide a basis for the measurement of the effectiveness of the employee incentive programs, this report analyses how the program influences the company’s key performance metrics. In the case of many small to medium sized retail businesses, these metrics typically include the average transaction value (ATV), customer traffic conversion rates, items per transaction and repeat visitation frequency statistics. In order to provide relevance and comparability of the use of employee incentives, Youthworks’ employee incentive programs are compared and contrasted with one of Australia’s leading banks and customer service organisations (referred to as ‘the Bank’).

Survey data has also been collected from current and former employees of the company in an effort to provide some valuable input from those who have benefited most directly from the implementation of these programs. In order to further validate the findings of the project, several existing customers of Youthworks have been interviewed to ascertain what impact the company’s employee incentive programs have on the level and quality of service they receive when visiting the Youthworks store.

Key Processes

The Youthworks mission is to ‘Provide outstanding and knowledgeable service both to our clients and fellow team members’. The Youthworks mission is carefully crafted to promote the company's primary objective of providing service excellence, closely followed by the equally important objectives of promoting teamwork and the sharing of detailed product knowledge. Accordingly, every initiative that the company embraces is invariably referenced against its potential impact on this Mission.

When crafting the Youthworks staff incentive program, it was important to first identify which of the following specific outcomes should be rewarded:

- Rewarding personal sales productivity.
- Rewarding team sales productivity.
- Providing sales rewards only after a minimum pre-determined level of sales productivity had been achieved (eg. rewards are provided once the store has achieved its sales budget plus a factor of say 10%).
- Rewarding individual sales made over a prescribed level (eg. rewards for sales made over $500).
- Rewarding sales made over a certain prescribed level of Gross Profit (eg. rewards for sales made with a Gross Profit percentage in excess of say 50%).
- Rewarding sales of certain product lines only.
- Rewarding sales that contain a prescribed number of items (eg. rewards for sales that contain a minimum of say 5 items).
- Rewarding other equally important skills, competencies and orientations such as initiative, aptitude, communication, leadership, professionalism, teamwork, innovation, persistence, patience, sincerity and honesty.
- Rewarding certain behaviours that on the surface have little immediate impact on sales outcomes, yet further endear the clients to the company.
- A combination of some or all of the above.

After some consideration, it was ultimately decided that protecting and enhancing the company's relatively high average transaction value (ATV) per customer was of primary strategic importance. With an average transaction value in excess of $200 per customer per visit, Youthworks' short, medium and longer term financial health remains as reliant on the value of each transaction as it does on the volume of transactions made. Given the location of the store and the fact that it is somewhat of a destination in itself, maintaining and enhancing the average transaction value is of great strategic importance. However, maintaining and building upon an average transaction value of $200 is of little or no value unless the company's other strategic considerations are also being met on a sustainable basis.

Accordingly, the following considerations also needed to be explored prior to introducing the incentive program, as were the linkages between the average transaction value and those considerations:

- First and foremost, the level of service provided entices the clients to keep returning to the store.

- The level of service provided motivates clients to influence their friends, family and peers to visit the store and enjoy a similar experience.

- The product mix and the mark-ups, margins and level of gross profit produced needs to be sufficient to financially support the business.

- The various roles that merchandising, display, signage, house keeping, marketing, promotions, public relations, technology, logistics, presentation and staff training all play in supporting the average transaction value.

- The proposed incentive system needed to be a good strategic fit for the company's client loyalty program (known as the Youthworks Infinity Card).

- The proposed incentive system needed to assist Youthworks in remaining an employer of choice and protect the investment made into the training and development of its management and sales team.

With consideration given to all of the above, management decided upon a strategy of incentivising the staff to positively influence the number of items sold to each customer on each visit. By doing so, management concluded that this would maintain and even further build upon the average transaction value and enable more customers to qualify for participation in the company's client loyalty program. With a direct correlation between the staff member's ability to identify the client's needs and the level of multiple sales achieved on any given trading day, using multiple sales as the base mechanism for incentivising and rewarding staff satisfied numerous objectives.

The incentive program is known as the Youthworks Multi Sale Reward Program (YMSRP), the objectives of which were:

- To increase multiple sales at Youthworks.

- To build upon the number of clients who spend a minimum of $500 in any single transaction and thereby qualify for the Infinity Card client loyalty program and on-going benefits provided to that client thereafter.

- To improve client service by promoting multiple sales at Youthworks (there is direct link between multiple sales and the staff ability to identify the needs of each individual client).

- To provide an incentive program that recognises and rewards results.
- To provide rewards in a non-cash form that enables the staff to maintain a wardrobe of current clothing stocked by Youthworks.

The mechanics of the Youthworks Multi Sales Reward Program which was implemented soon after the business was re-launched in 2007 define a multi-sale as:

- The achievement of any Bronze, Silver, Gold or Platinum sale at Youthworks.
- Bronze, Silver, Gold and Platinum sales are defined by the actual dollar value of the sale, including 10% GST.
- In order for a team member to receive a reward for achieving a Bronze, Silver, Gold or Platinum sale, they must personally assist their Client and subsequently process the transaction on the point of sale system and enter their personal staff identification number.

Bronze, Silver, Gold and Platinum Sales (inclusive of GST) are defined

- Bronze Sale: A sale between $500.00 - $999.99
- Silver Sale: A sale between $1,000.00 - $1,499.99
- Gold Sale: A sale between $1,500.00 - $1,999.99
- Platinum Sale: A sale in excess of 2,000.00.

Team members are rewarded as:

- Bronze Sale: A Youthworks Gift Voucher to the value of $25
- Silver Sale: A Youthworks Gift Voucher to the value of $50
- Gold Sale: A Youthworks Gift Voucher to the value of $75
- Platinum Sale: A Youthworks Gift Voucher to the value of $100.

Teamwork is a fundamentally important component of any successful retail operation. If a client senses that there is a lack of team work or discord within the store, they are less likely to return. Accordingly, when management crafted the Youthworks Multi Sales Reward Program, the program also needed to take into account both individual and team performance. If personal multi sales and average transaction values were to form the basis of providing the rewards, both of these are influenced by the performance of the individual. Management needed to ensure that there were linkages that tied individual results to desirable team behaviours. That linkage came in the form of a Mystery Shopping Program which was also implemented soon after the launch of the Multi Sales Reward Program. The

Mystery Shopping Program involves an independent third party conducting comprehensive 'service audits' on a monthly basis. With a total of 100 points being attributed to each monthly service audit, the results of each audit effectively place a portion of the team's individual rewards at risk during any given month if the audit result falls below a minimum acceptable level. Accordingly, if the Mystery Shopping audit results during any given month fall below a minimum prescribed percentage, the value of the Reward Vouchers paid to each individual team member are reduced in accordance with the Mystery Shopping score. In summary, by linking the payment of individual rewards to team audit results, the individual team members are now more inclined to support each other and hold each other accountable for the level of service provided. This linkage is designed to bring about a consistently high level of service in the store, 7 days a week. Similar to outcomes sought in good restaurant, consistency of service delivery is of primary importance in any successful retail store. Youthworks values team members who are service focused, work as a team, demonstrate initiative and are goal orientated. This rewards system is designed to reward team members for identifying client needs and designing solutions that build lasting client relationships. Providing good service is the foundation stone of the business. On average, after taking into account the large volume of transactions that do not meet the minimum criteria for payment of a staff reward (eg: those sales that fall below $500) and the results of monthly Mystery Shopping audits, the company expects to pay out approximately 1.25% of its annual sales turnover to staff in the form of rewards vouchers.

Employee incentive program comparison

For comparison of incentive programs, the retail division of a leading Australian bank is examined because it embraces employee reward programs as a means of driving behaviours and revenues in a sustainable manner and has implemented a sales, service and rewards program which is designed to achieve the following outcomes;

- Create a culture of achievement for individuals and teams.
- Drive and reward exceptional business performance through fair, challenging and achievable performance targets.
- Provide clarity of purpose for all employees.
- Align roles, responsibilities and incentives to promote collaboration and teamwork.
- Drive successful outcomes through coaching, training and appropriate resources.
- Create a work environment where employees are engaged to drive the business "as their own" while fulfilling their interests and career aspirations.
- Drive outcomes aligned to the Group's vision.

By adopting a balanced approach, the Bank has constructed a framework for an incentive and rewards program. The components are:

- Incentives and Key Performance Indicators (KPIs)
- Frontline Rewards
- Ultimate Success.

Using a corporate intranet to track individual, team and branch based progress, the key performance indicators of the Bank's incentive program focus on desired employee behaviours, risk management responsibilities, business outcomes and customer experience surveys. With these variables all contributing to an employee's eligibility for a performance bonus payment, the Bank has crafted a strategy which directly links employee behaviours and business outcomes with customer satisfaction. In effect, the Bank has recognised that in order for the program to provide lasting value, it must meet the diverse needs of all parties concerned including the customer, the employee, regulatory authorities, the Finance Sector Union, the Bank itself and the Bank's shareholders and other stakeholders.

Using a series of 'gates', the Bank encourages its frontline retail teams to adopt a strong focus on non-negotiable minimum standards relating to risk management responsibilities and desired employee behaviours. The individual gates for each employee may vary slightly depending on their role held within the branch. In order for an individual reward payment to be made, certain business outcomes must be achieved which include product sales and referrals, conducting needs analysis interviews with customers, customer service scores and a prescribed level of branch profit contribution. Using a points based system, each of these variables are then assigned a weighting which is taken into account in calculating the final value of the individual and team rewards.

The Bank has a methodology for recognising, rewarding, praising and celebrating the success of those employees who have achieved rewards. The Bank supports its incentives and rewards program with an annual awards conference, top team weekends away and branch based team meetings. Those employees who consistently receive performance rewards are also more likely to realise greater career advancement opportunities with the Bank, provided their skills, competencies and behaviours are also closely aligned with the new role for which they are being considered.

In contrast to those strategies employed by Youthworks, the Bank's employee incentive program caters for the interests of a greater number of stakeholders. Due to the organisation being a leading publicly listed company, the Bank's employee incentive program is inherently more complex than that of Youthworks and relies more heavily on wider variety of key performance indicators, data collation techniques and online technologies to capture, monitor and report the vital statistics that are relevant to the ongoing goals of the program.

The retail clothing industry has long been subject to the payment of incentives, bonuses and commissions to employees. Retailers who do not provide tangible evidence of such a program often fail to attract the most suitable performance oriented staff and lose their competitive edge as a consequence. In contrast, the retail banking industry is undergoing a quiet revolution whereby there has been a prolonged and gradual shift away from what can best be described as a more 'transactional culture' toward more of a more sales, service and performance orientated culture. As with many business transformations, this cultural shift has invariably been met with some occasional resistance from a limited number of longer term employees and other stakeholders such as the Unions who have voiced concerns that customer service standards could be compromised by persistent demands to achieve sales targets. This and other factors further illustrate the complexity of the issues confronting the Bank, and in fact most banks, when crafting and implementing their retail employee incentive programs. In comparison to small to medium sized privately held companies such as Youthworks, the Bank must first seek to reach alignment with a far greater number of stakeholders.

In the case of the Bank, it is noteworthy to mention that the very design of the Bank's retail employee incentive programs has been one of several instruments that the Bank has used to influence the behaviours of existing employees and attract new employees who share the Bank's vision to improve upon their customer service and sales orientation. Conversely, those employees who are more closely aligned with a more traditional approach to retail banking are less likely to benefit from and receive rewards under the new program.

Key learning principles

Another objective of this paper is to examine the impact of Youthworks' employee incentive programs on the company's human resource planning and recruitment, selection and placement, staff training, performance management, pay structure decisions and employee retention rates. Nothing in business happens in isolation and the impacts of one initiative often flow through to other parts of the business. These impacts can be identified with the aid of a SWOT analysis, the purpose of which is to identify the strengths, weaknesses, opportunities and threats of the organisation.

E.L. Thorndike's Law of Effect states that the provision of a reward is more likely to bring about a re-occurrence of the same or similar actions in the future. Youthworks implemented the Youthworks Multi Sale Reward Program (YMSRP) as a means of strengthening its sales and service culture and ensuring that clients received a greater level of engagement and a consistently high level of service; every time they visit the store. When crafting the incentive program and the external mystery shopping audits that support it, many of the desired behaviours, skills and competencies were in fact extracted from the company's existing employee position descriptions, inductions handbooks, staff appraisal templates and performance management literature. The introduction of the incentive program served to further strengthen what was already (mostly) in existence. Accordingly, Youthworks' employee incentive programs have provided management with another performance management tool as those employees who perform well and regularly receive rewards are in fact displaying the very behaviours that the company espouses.

A critical evaluation of the role that employee incentive programs play in determining improved strategic outcomes in a small to medium sized retail business

Martin Haese

Youthworks attracts, recruits and develops team members who respond positively to remuneration packages that recognise the employee's contribution to the organisation's success. Typically, some of these employees have already worked for other retail organisations that have provided their employees with a base salary component, plus bonuses. If job performance can be described as a function of ability and motivation, the expectation of receiving rewards can often have an impact equal to the actual payment of the rewards themselves. Difficulties can sometimes arise when incentive programs become so entrenched in an organisation's culture that should they be removed or re-structured, the team members have grown to view them as an entitlement as opposed to a privilege.

Accordingly, Youthworks management makes it clear to all team members that should retail trading conditions dictate that the incentive program needs to be re-structured to suit the interests of all parties concerned, management reserves their right to do so. To ensure that employees are not unduly disadvantaged by the imminent re-structure of a current incentive program, Youthworks remunerates its employees with base salaries that are equal to or greater than those offered by the competition. Expectancy theory says that motivation is a 'function of valence, instrumentality and expectancy' (Noe, Hollenbeck, Gerhart and Wright 2006, p. 502).

When a new employee joins the company, management takes time to carefully explain that their remuneration will comprise of a base salary component, plus performance bonuses, plus an on-going investment into their training and development. Youthworks management also communicates from the outset that every employee must set a goal to produce sufficient personal annual sales to cover their own remuneration package by a factor of six (6). Accordingly, if an employee has a direct annual cost to the company of $50,000, they will need to personally produce minimum annual sales of $300,000 (or approximately $6,000 per week after holidays and absenteeism are taken into account). The importance of external service audits are also stressed and the role they play in determining the value of monthly bonuses.

Many of Youthworks' staff training initiatives are focussed on the provision of improved product knowledge, re-enforcing effective sales techniques and behaviours, celebrating and sharing successes and goal setting. Each staff training session is accompanied by a role playing session and individual team members are invited to prepare and present a relevant topic for each meeting. This on-going training is designed to support the company's mission statement which is in turn supported by each employee's position description, induction process, performance management and six monthly appraisals. The Youthworks Multi Sales Reward program is the end outcome of several of the aforementioned processes and its success is dependent upon the quality and consistency of processes designed to support it.

Consistency of service delivery and clarity of purpose are important criteria at Youthworks. As a consequence of this approach, Youthworks has enjoyed relatively low employee attrition rates for many years. With some retail companies experiencing high annual employee attrition rates, since 1993, Youthworks has experienced an average employee attrition rate of 8.5%. Exit interviewing and employee surveys reveal that this has been due to a combination of the following reasons:

- The company has enjoyed a particularly consultative and participative culture.
- For a period of the 12 years the company was opening new stores and able to provide many of its team members with career advancement opportunities.
- The company remains committed to the on-going training and development of its team.
- The company's remuneration practices and organisational strategies are close aligned.
- The company has achieved a competitive advantage in the marketplace due to its focussed differentiation strategy.
- The products that the company sells are mostly consistent with the individual tastes and preferences of its employees.

Three months after re-launching the Youthworks business in 2007, management introduced a customer relationship management program, the objectives of which were to turn customers into advocates, build a stronger sense of community, increase store visitation rates and drive sales growth. The impetus behind this program were the benefits provided to the Youthworks Infinity Card members which now include discounts offered in the store and the hair salon, personal invitations to social events, advanced notification of clearance sales and discounts provided by other affiliated retailers under a subsidiary program known as 'The Youthworks Alliance'.

With Infinity Card members spending on average 37% more per annum at Youthworks than non-Infinity Card members, this customer relationship management strategy is central to achieving the company's sales growth objectives. With a minimum purchase of $499.95 required in order for a client to qualify for Infinity Card membership, management adopted a strategic approach toward the marketing of the loyalty program. In effect, management crafted a strategy whereby the Infinity Card has become a coveted item in its own right. As opposed to being given, it needs to be earned and once earned, it is more highly valued.

Coinciding with the minimum purchase required to qualify for Infinity Card membership is the entry level value of a 'Bronze Sales Award' for Youthworks team members. This could be likened to the system of 'gate openers' used by the Bank. Since introducing the employee incentive program, Youthworks management has also seen a pronounced upswing in Infinity Card applications. In effect, by rewarding the sales team for providing excellent service, the company is now also meeting its other objectives of driving sales growth and increasing the number of Infinity Card members.

Management is cognisant of the inter-relationship between its employee remuneration practices, sales growth, customer satisfaction and profitability. Since the introduction of both the employee incentive and customer relationship management programs, those linkages have become most apparent and as a consequence management now takes all four considerations equally into account prior to introducing any new initiatives.

Retail companies invariably measure their performance via some or all of the following key performance metrics (Levy and Weitz, 2008, Chapter 17):

- Average transaction value (ATV)
- Items per transaction (multi rate)
- Sales conversion rate (ie. the number of clients who visit the store vs. those clients who make a purchase)
- Sales vs budget
- Sales vs a corresponding period (ie. sales vs the same month last year)
- Sales per square metre

In addition to the more commonly recognised ratios used by business managers such as gearing ratios, interest cover ratios and liquidity ratios, these key metrics are in turn supported by a number of ratios which provide retail managers with additional benchmarks upon which they can contrast and compare the performance of their store against other stores. This same data can also be used to compare against other retail groups or against industry averages. Some industries develop additional ratios which are adopted as industry standards for the measurement of financial performance. The retail industry is one such industry. The ratios which the retail industry has adopted are (Levy and Weitz, 2008, Chapter 17):

- Wages to sales ratio
- Rent to sales ratio
- Overhead to sales ratio
- Profit to sales ratio
- Gross margin return on investment (GMROI)
- Week's Cover (a measure of stock turn and inventory performance)

Youthworks management produces monthly financial reports and analyses this data in order to monitor and manage performance. However, the venture is by no means without risk and much of that risk lies in the sensitivity of the sales, margin and expense management. If the gross profit margin is maintained at its current level of 55%, the sales need to fall 25% in order for the company to reach break even. This is unlikely. However, a 10% erosion of annual sales without any corresponding reduction in overheads will reduce the annual profit by up to 40%. This is significant. Even if the required sales are achieved, a 5% reduction in the gross profit margin will have an even greater impact by reducing the full year profit by up to 45%. Accordingly, any reduction in both sales and gross profit margins can have a 'double headed' effect and significantly reduce profits.

Management must maintain vigilant financial controls over the business and remain aware of the strategic financial issues which affect the company's performance. As a consequence, when crafting and implementing the employee incentive program, management needed to carefully consider how the program would either positively or negatively impact upon the company's financial performance.

Another aspect to consider is competition. The retail sector is one of the most competitive of all market sectors. With relatively low barriers to entry and increasingly high overheads, retail managers could consider the strategic advantages that a well crafted employee incentive program can bring to their company. To consider an off-shore example, Wal-Mart (USA) is a prime example of a retail company that has thrived on competition and taken on new ideas at every opportunity. The larger Wal-Mart has become, the harder it has worked to 'think small'. Sam Walton (Wal-Mart's founder) credits the company's success to this very line of thinking. Sustaining Wal-Mart's retailing success has involved doing the small things right 'every day, at every store….with hard work, a good attitude and with teamwork.' (Walton and Huey, 1992).

Over the years, Wal-Mart has embraced profit-sharing, incentive bonuses, incentives to reduce stock shrinkage and discount stock purchase plans as a means of incentivising and rewarding its retail associates. When it came to his customers, Sam Walton's pragmatic approach was to 'give them what they want and exceed their expectations' (Walton and Huey 1992, p. 173). As a result, Wal-Mart now boasts a growth rate which has outstripped the competition and enjoys a stock shrinkage rate that is about half the industry average. Incentives have played a valuable role in achieving these outcomes.

In the highly competitive financial services sector, the Bank has also sought to differentiate itself via the provision of a superior level of customer service. Taking the notion one step further, the Bank is in the process of rolling out new store designs for its network of retail branches that further break down the barriers between the staff member and the customer. Importantly, the Bank has recognised that customers do not visit a bank to browse and the branch must perform as both a service and a sales space. The Bank also recognises that having friendly employees is no longer a competitive differentiator. Being friendly has become a non-negotiable factor to remain competitive. Being friendly in the absence of a commercial purpose is ineffective and ultimately does not serve the best interests of the Bank's customer. Accordingly, the Bank has set about recruiting customer orientated team members that listen, probe, profile, close and follow up sales opportunities. The Bank has supported this mandate with the provision of individual and team based rewards.

Agency theory explores the relationship between the 'principal' (eg. an owner) and the 'agent' (e.g., a manager) who is expected to act on behalf of the owner. Unlike the Bank where many of the owners of the company are far removed from the day-to-day operations, Youthworks is a small to medium sized business where the owner works closely with the management team. Under many 'agency theory' situations, the managers of large corporations have a tendency to be more risk adverse and have a preference for a higher base salary component and a 'lower emphasis on uncertain bonuses and incentives' (Noe, Hollenbeck, Gerhart and Wright 2006, p. 503). The Bank has countered this by placing a certain percentage of their senior managers and executive's annual personal earnings potential 'at risk' should they not meet their performance targets.

The annual strategic planning process enables the Bank and its senior managers and executives to determine their corporate goals and thus influence their own individual earnings potential. Individual earnings at the Bank are provided in the form of a base salary component, performance bonuses and other instruments. In the event that a senior manager or executive falls short on their branch or department's deliverables, the performance bonus component of their remuneration package will be reduced in accordance with the results obtained. This innovative approach to the payment of incentives projects a viewpoint that the senior manager has placed a percentage of their personal earnings "at risk" as a consequence of not producing results that were in accordance with the goals set. This approach is in stark contrast to the more traditional mindset of 'I did not receive a bonus this year because I did not meet my targets'. The Bank's strategy projects a strong message that the senior manager has forfeited some of their personal earnings as a consequence of not meeting their targets. Similarly, Youthworks also places a percentage of its team member's individual rewards 'at risk' should they receive a sub-standard customer service audit.

As with many strategic management initiatives, a prior analysis of the company's strengths, weaknesses, opportunities and threats (SWOT) will reveal the organisation's resource capabilities and assist management make more informed decisions about how to capitalise on opportunities and defend itself against threats. The SWOT process will also assist management in determining how comfortably their current initiative sits with the organisation's established core competencies. In isolation, the initiative may appear to be the right thing to do, however, when it is transposed over the organisation's core and distinctive competences, it may be out of context. The SWOT process provides management with a means of aligning their initiative with that of the company.

Having already discussed the strengths and opportunities associated with introducing the Youthworks Multi Sales Reward Program (YWSRP), it is now useful to examine the weaknesses and threats that were also considered prior to launching the initiative. These can be summarised as:

- The advent of an economic downturn may reduce the number of $500 plus transactions currently experienced at Youthworks. This would then curtail the number of awards achieved by the team and in turn dampen their enthusiasm for supporting the program.

- If Youthworks was to be drawn into a price war with a competitor and embark on a period of sustained discounting, the resulting drop in gross profit margins may impinge upon the company's ability to provide the staff rewards.

- If for some unforeseen reason Youthworks experienced a sharp increase in operating costs without a corresponding increase in sales volume, the resulting drop in net profit may impinge upon the company's ability to provide the staff rewards.

- If in order to remain competitive, management elected to elevate the rewards offered to Infinity Card members; this may need to come at the expense of staff rewards.

A concerted ongoing strategy of ongoing product differentiation was applied and Youthworks has managed to maintain sales volumes, avert discount wars, maintain gross profit margins and absorb occasional cost increases. However, management understands that the retail landscape is highly changeable and 'one must make the most of a favourable landscape by tilting the scales in one's favour for as long as the circumstances prevail' (Sun-tzu, translated by Ames 1993, p.149)

Conclusions

Through a process of comparison and critical analysis, this paper has determined that Youthworks' employee incentive programs support the company's current strategic objectives. However, this paper demonstrates that the retail landscape is subject to change and although Youthworks may not waver from its short, medium and long term commitment to providing a truly exceptional level of client service, the strategies required to incentivise, support and reward the team to achieve those aims may need to be reviewed periodically.

This paper also demonstrates that the number of stakeholders involved will also play a role in determining the composition and complexity of any employee incentive and rewards program. In addition, in order for an employee incentive and rewards program to enjoy lasting success, it must continue to meet the needs of the customer, the employer, the employee and any other relevant stakeholders. Should the program fail to meet the needs of all parties, the program is destined to have a limited life.

The study provided insights regarding:

- The important role that employee incentive programs play in the overall strategic management process

- How employee incentive programs can by design either support or frustrate a company's strategic objectives

- The role that employee incentive programs play in aligning employees with the company's values

- The quantitative and qualitative impacts of employee incentive programs on company performance.

This paper has presented a comparison of employee incentive programs and human resource strategies in a retail business and another leading customer service orientated organisation in

South Australia. The results have shown that things rarely happen in isolation, and the crafting of an effective employee incentive program requires consideration all of the variables and how the proposed program will impact on each.

The crafting, monitoring and management of an employee incentive program requires a detailed understanding of the organisations culture, market position, competitor analysis, financial objectives, information and human resources. The success of an employee incentive program requires detailed strategic planning, consultation, clarity of purpose, communication, follow through and leadership. The key outcome of a successful employee incentive program is the very sustainability of the enterprise.

References

Noe R, Hollenbeck J, Gerhart B & Wright P. 2006, *Human Resource Management*, Gaining a Competitive Advantage (5th ed) McGraw-Hill Irwin, New York, USA.

Levy M, Weitz B, *Retailing Management* (7th ed) 2008, McGraw-Hill Higher Education, New York, USA

Sun-tzu, translated by Ames R. 1993, *Sun-tzu, The Art of Warfare, The first English translation incorporating the recently discovered in-ch'ueh-shan texts,* Ballantine Books, Random House, Inc. New York, USA

Walton S, Huey J 1992, *Sam Walton, Made In America, My Story*, Doubleday Dell Publishing Group, Inc. New York, USA.