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## Built to Last

Harvey Industries and  
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and still going strong

**Motivating the  
Front Lines**  
At Nordstrom  
and Dell Computer

**Exhibiting  
Strategies**  
Do More with Less



From The Nordstrom Way to the Soul of Dell

# Motivating the Front Lines

By Lauren Walker



These days, when you can wait on hold for half an hour only to be told you've called the wrong help line, most people believe that customer service is a thing of the past. Nonexistent. Dead and gone.

Then there's the story of the technician who rushed to the airport to fix a customer's notebook computer while his customer was changing planes. Or the saleswoman who sewed the collar and cuffs from a white shirt onto a blue one to give her customer the exact product he'd seen in an ad. At companies such as Dell Computer Corp. and Nordstrom Inc., employees like

these really do exist. Both were recently honored by the new Forum for People Performance Management and Measurement at Northwestern University with its first-ever Performance Through People award (see box on page 37) as "setting the standard for customer service and satisfaction."

"We were looking for organizations that incorporate their employees in their brand and selling strategies," says Francis J. Mulhern, chairman and associate professor, Department of Integrated Marketing Communications at Northwestern's Medill School of Journalism, and a member of the Forum's faculty. "In both cases," says Mulhern, "the reason for their strong focus on employee motivation comes from the vision of their leaders and



don't give much authority to the front-line personnel."

Compensation is a combination of hourly rate and commission, which are used to calculate a target level of sales dollars per hour, set to cover at least the seller's hourly wage.

According to the 1999 book *The Nordstrom Way*, by Robert Spector, if a salesperson's commissions don't reach the target, Nordstrom pays the hourly rate; if the target is reached or exceeded, the employee gets the higher amount. Sales employees

make the decisions on returns and can even offer discounts at their own discretion—but these costs come out of their sales figures.

Nordstrom also "manages by contest," according to Spector. Departments, as well as individuals, compete for prizes including cash, store discounts, prizes, and trips. Store and department sales figures are internally available for comparison, and individual sales-per-hour figures are posted. "Pacesetters"—top sellers who exceed a specific sales target for the year—are honored with rewards such as a gift certificate, an outing or event in their honor, special business cards, and a lapel pin. They're also given an album in which to collect letters of praise from customers, which can figure in future evaluations. Other contests reward customer service—as experienced by "secret shoppers," who include managers from other stores or regions posing as customers—with cash, discount cards, and other prizes.

Top performers are encouraged to lead staff meetings and workshops and to share their tools and experiences with fellow workers. Workers who consistently don't reach targets get special coaching.

The environment also works to weed out those who don't take to it. There are disgruntled "ex-Nordies" who complain that the highly competitive environment wasn't for them. Some allege that the pressure to meet sales-per-hour goals meant working off the clock on nonsales activities, such as stocking, and that meetings and workshops, while mandatory, were also unpaid. For workers who stay, presumably the increased commissions make these efforts worthwhile.

And as T.J. Schier, president of Incentivize Solutions, Flower Mound, Texas, and former vice president of field support for CEC Entertainment Concepts (the parent company of Chuck E. Cheese), says, there's such a

## Motivate Your Front Line

One of the biggest problems with traditional retail management is that companies often spend too much time, effort, and money on bad employees. That drives T.J. Schier crazy.

"The simplest example I can give you is the employee who comes in late—a common problem with hourly employees," says Schier, president of Incentivize Solutions, Flower Mound, Texas, and author of the book *Send Flowers to the Living*. "The typical manager is going to spend all his or her time trying to get this person to come in on time."

Instead, he says, put your efforts into those who do what you want. "Next time somebody comes in late, give everybody else who got there on time a pat on the back, something easy like 15 minutes added to their break. You don't even have to say anything to the person who came in late. The people who were on time got something, and the late-comer didn't. It's obvious."

He advises companies that want to invest in formal incentive programs for their customer service employees to focus on the return, not the expense. "You



should always set the goals high enough so you're generating much more new revenue than what you spend on the rewards. That way, there's a direct correlation between the incentive and the return.

"It's true that in a lot of companies,

incentives for customer service people feel like the right thing to do, but there's no quantitative data to back it up," he adds. "And in those companies, incentive programs will get cut when times are tight."

That's a step in the wrong direction, he says. Instead, why not use prizes that don't cost the company anything, such as a choice of shifts, or prepaid phone cards, movie tickets, or video rentals? Then structure the contest to build up points over time for less frequent, larger prizes.

Most important, though, incentives have to be integrated into the company's culture, as they are at Nordstrom and Dell. "A lot of managers have never worked in an environment with a lot of positive reinforcement, so it's hard for them to get started. But it's not part of the culture unless the managers truly believe it."



founders: Michael Dell, and the Nordstrom family. Those individuals had a very strong focus on treating people well because that's how you get good performance out of people." And that focus is built around incentives.

### The Soul of Dell: Communication and Direct Accountability

Dell Computer Corp., Austin, Texas, calls its corporate philosophy "The Soul of Dell," and it reflects Dell's response to the current business environment—both the difficult economic climate and the overwhelming public mistrust of corporate leaders.

Dell bases its efforts on four strategic areas: customer experience, globalization, product leadership, and winning culture. It is "relentless" in its communication of those goals, according to Elizabeth Heller Allen, vice president of communications. "Everyone knows our company's objectives and the roles we must all play for us to achieve them," she says. Compensation and bonuses are determined by scores in the four areas.

"We do not build [computers] to inventory—we only build what has been ordered by a customer," adds David Frink, director of internal communications. "So the central premise of Dell is direct accountability between individual customers and Dell. There's no middleman. And our salespeople act as that single point of accountability."

That means one salesperson will work with the customer until the product is delivered. It also means that if there's a problem, one support

person or customer service representative will work with the customer until the problem is solved. There's less runaround for the customer and more personal investment for the employee.

Dell is organized around types of customer; there are individual consumer sales, but also large corporate sales involving storage, servers, and multiple PCs. Incentive programs vary depending on the segment, although all sales personnel are paid a combination of salary and commission. For the consumer sales staff, rewards may be as simple as a pizza party or as lavish as a trip. One contest awarded one-year leases on luxury cars; others have used mountain bikes, snowmobiles, and Waverunner personal watercraft as prizes.

But Dell also emphasizes the emotional, not just the financial, side of its employee-customer relationships, which is particularly important in maintaining morale among its 36,000-person workforce in the face of recent layoffs. "We've learned through experience that communication is most effective when it touches employees on an emotional level," says Allen, "and that we cannot simply rely on financial data to explain what's going on in the business and around the world."

To that end, Dell also keeps its employees apprised of how "customers are using Dell computer systems to make a better world," she explains. "For example, we told our employees about an international aid organization in sub-Saharan Africa that is using Dell wireless notebooks to help impoverished farmers increase their annual incomes. A Na-

tional Geographic expedition used our systems to analyze sonar data and find President Kennedy's boat, the PT-109. Capturing stories like these and publicizing them internally just renews our employees' focus."

### The Nordstrom Way: Autonomy and Reward

Retailer Nordstrom, founded in 1901 as a Seattle shoe store, now has 143 stores in 27 states and, by *Fortune* magazine's estimate, about 42,000 employees in the United States, as well as a reputation for customer service that borders on legendary. "Nordstrom was probably the first retailer to empower customer-contact people with the right to do pretty much anything necessary to satisfy the customer," says Jim Dittman, president of Dittman Incentive Marketing, Edison, N.J., a founding trustee of the Forum. "If there was a decision to be made, they were encouraged to err on the side of customer satisfaction."

Nordstrom has been chosen as one of *Fortune* magazine's 100 best companies to work for in America five years in a row, including 2002. The company's business philosophy uses an "inverted pyramid," with customers, and the sales-floor employees who have direct contact with them, at the top, and management beneath. The structure was designed to support the front-line employees in serving customers' needs. "They pay them above market rates, and they give them more authority to do things, whether it's a price adjustment or a return or dealing with a customer problem," says Mulhern. "That's in strong contrast with other retailers, who have rigid rules and



## Incentives Go Academic

The Performance Through People awards were given by the new Forum for People Performance Management and Measurement, founded at the Department of Integrated Marketing Communications in the Medill School of Journalism at Northwestern University. An outgrowth of earlier efforts, including those of the Incentive Performance Center and the Performance Improvement Council, the Forum's goals are to study the interdisciplinary elements of people performance management; to measure their impact on organizational success; and to create a curriculum based on research findings for academic and professional use.

"We want to create a greater awareness of performance improvement programs and companies, and to get the word out to the business community ... about the kind of consultative solutions that performance im-

provement companies can provide," says Jim Dittman, president of Dittman Incentive Marketing, Edison, N.J., and a founding trustee of the Forum. "We're also trying to fund and generate research to prove the value of tangible reward programs built around a performance improvement model."

Northwestern's involvement has enormous benefits, he says. "They're a scholastic body whose motives are beyond reproach, ... who will not be the mouthpiece of an industry but will lay their reputations on the line in terms of conducting quality research. Second, it can serve as a repository for information on the industry, so we'll be able to build on what we've learned."

The Forum hosted its first seminar November 6, and will be holding regional seminars throughout 2003. To learn more, visit [www.performanceforum.org](http://www.performanceforum.org).

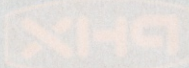
thing as good turnover—because the nonperformers are the ones who tend to leave. "Incentives won't get bad

employees to do the right thing," he says. "That's never going to happen. Hopefully, they'll go to your com-

petitors, and you can hire in some winners who will thrive in the culture you're creating."

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