

Incentive Compensation

“Pay for performance,” also known as “incentive compensation,” often creates a disincentive leading to decreased performance. Indeed, a quick literature survey reveals far more articles and studies on incentive compensation failures than successes. But that does not mean you should discard or drastically alter incentive compensation. ClientView has a solution, and we invite you to read further.

Unique aspects of government contracting and incentive compensation

Incentive compensation can play a significant role in business development in the government marketplace. Winning government contracts requires a team effort over an extended period -- up to several years from identifying a new business opportunity to contract award. So it follows that the successful team may have members whose roles vary significantly in both their time invested and the steps they performed during the capture. In fact, the team may experience 100 percent turnover before the procurement process is finished.

Such fluid staffing could lead to the perception of inequitable awards among team members, which degrades achievement incentives. So ClientView has fashioned a positive approach that strengthens incentive compensation.

Realistically, pay for performance is far too widespread in American business to deny employees a benefit they see as an entitlement. Rather, firms should devise business development incentives that take account of both the team effort and the lengthy government procurement process. Individuals who consistently demonstrate effective leadership should get corresponding promotions, titles and salary increases as their responsibilities expand, along with incentive compensation.

Your incentive compensation program

As you review your firm’s compensation system, be creative about devising a pay-for- performance program that accommodates the time span of government procurement and the numerous individual efforts needed to produce a winning effort. Simple systems with easy-to-grasp metrics are likely to be more effective than complex scoring systems or opaque algorithms that only management truly understands.

In other words: Reward team members for their achievements over a long procurement cycle and base those rewards on a straightforward method. Be sure your system for incentive compensation is not profit sharing – if you do not understand the difference and how to implement that difference, make this understanding your highest priority. ClientView can help your firm devise a comprehensive incentive system that is integral to your strategic objectives and produces the results you desire.

ClientView LLC is a business development firm that provides executive-level business development consulting to companies that sell products and services to the federal government and commercial customers. Our services include strategy development; marketing, positioning and proposal training; capture planning; and proposal creation and production.



CV Method for Building a Strategically Integrated Incentive Compensation Program

Create a matrix with a column for each level of employee responsibility regarding company performance from 1099s/Consultants to Executive. For each level consider both revenue achievement/growth and cost control/reduction.

The rows may include:

- Type of incentive - such as contract, nomination or goal defined.
- Frequency - shorter time periods for lower levels of employee responsibility and longer periods for employees with higher levels of responsibility
- Metrics that will be used to assess performance including:
 - Change of control
 - Equity
 - Profit for both company and business unit
 - Revenue for both company and business unit
 - Responsibility performance

Include footnotes explaining implementation process for each element of program.