

Voice of the client and employee compensation

In today's intensely competitive business climate, it is absolutely critical for an organization to be client-focused. Doing so requires knowing one's clients and ensuring that the little things are being done to meet their expectations. In this vein, one of the best contributors to an organization's success is the creation of a client-focused culture that rewards employees and creates a company-wide ethos of providing top-quality service to clients. This spirit will lead to an increase in perceived value on the part of clients and ultimately to higher satisfaction.

A number of organizations have turned to linking client-based performance targets to incentive or compensation. The most important reason for doing so is the ability to shape employee behaviours to achieve certain goals, which, in this case, translates to offering top-class client service.

These organizations have integrated client-based targets into traditional programs that tend to focus on financial targets, such as sales or revenues to form a broader performance compensation program.

When deciding to use the voice of the client to provide performance-based incentive pay, executives should ask themselves a number of questions. Should we use client satisfaction as our target metric? If not, what metric should we use? Should we use multiple metrics? How should we set targets? All of these must be answered to successfully implement the program.

Move beyond client satisfaction as a target metric. Client satisfaction alone

is simply an emotion-meter and does not necessarily lead to client value or loyalty. Moreover, it is difficult to use client satisfaction to change employee behaviour due to its largely abstract nature. Employees must not only be able to understand the target metric, but also how they can affect positive change in that metric. Service delivery performance scores tend to provide the best alternative, as they offer clarity in understanding.


Successful implementation of the voice of the client in employee compensation is an ongoing process

Use client value to guide selection of metrics. Best practices have dictated that using a performance measure for providing incentive compensation be developed as a composite of a number of underlying metrics. Given that clients value a number of service delivery elements, understanding what exactly clients value will help in determining the most appropriate underlying performance metrics. For example, if an organization's clients tend to value timeliness, a measure of turnaround time would make an appropriate underlying metric.

Use the past and the future to determine targets. Determining performance targets is usually the domain of an organization's executive team. It is not

uncommon to use past performance to set future targets. However, remember that a number of forward-looking variables affect performance such as a forecasted change in business climate and jumps in client turnover, to mention several.

Remember where your numbers come from. Typically, client feedback is gathered using an annual client satisfaction or value measurement survey. These studies are usually based on sampling a smaller number of clients to represent the entire population, particularly for large companies, where it is unrealistic to talk to all clients. A side-effect of using sample data is the introduction of statistical error. This statistical error must be taken into consideration when determining targets.

Successful implementation of the voice of the client in employee compensation is an ongoing process, requiring periodic revisiting to account for changes in the marketplace and in what clients value. In the end, a successful program will serve to strengthen an organization's common goal of putting the customer first, giving it a competitive advantage. 

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