

# Designing and Operationalizing an Incentive Plan

**Client:** A Panel-based Non-Banking Financial Company (NBFC)

## **Problem Statement:**

The NBFC faced significant challenges in maintaining motivation and performance across its sales, operations, and recovery teams. Despite offering competitive base salaries, the company struggled with a lack of clear performance-driven incentives, leading to:

- **Low motivation levels:** Sales teams were not meeting targets consistently.
- **Inefficient operations:** Operational teams lacked clarity on how their performance tied to business outcomes.
- **Recovery inefficiencies:** The recovery team faced delays due to the absence of performance-linked rewards.
- **High attrition:** Employees in key departments were leaving due to perceived lack of growth and reward recognition.

The client sought a tailored incentive plan that would not only motivate employees but also align their efforts with the company's strategic goals.

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## Solutioning:

Technovative Consulting conducted a thorough assessment of the company's operations and employee performance metrics. Based on the analysis, the following steps were implemented:

### Comprehensive Stakeholder Interviews:

1. Technovative interviewed department heads and key team members to understand their needs and concerns.
2. Collected data on current performance metrics, employee motivation, and existing compensation structures.

### Segmentation and Role-based Approach:

1. **Sales Team:** Targets were set based on lead generation, conversion rate, and revenue growth. A tiered incentive structure was introduced where higher targets yielded higher bonuses.
2. **Operations Team:** Incentives were tied to process efficiency, reducing operational delays, and improving customer satisfaction.
3. **Recovery Team:** Recovery performance was linked to the percentage of overdue loans recovered, with bonus structures for early repayments and consistent collections.

### Clear KPI Definition:

1. Key performance indicators (KPIs) were defined for each team. For example, sales KPIs included the number of new loans processed, cross-selling ratios, and customer retention rates. Operational KPIs measured process efficiency, error rates, and customer feedback. Recovery KPIs focused on the percentage of loans recovered and the timeliness of payments.

### Incentive Plan Structuring:

1. A quarterly incentive structure was introduced to ensure regular rewards and continuous performance tracking.
2. Team-based rewards were implemented to promote collaboration between departments, ensuring that cross-functional efforts were rewarded.
3. Individual milestones were rewarded with additional bonuses for top performers, ensuring recognition for exceptional individual contributions.

### Technology Integration:

1. Technovative recommended the integration of a performance tracking software, allowing for real-time monitoring and automated incentive payouts.
2. The software tracked KPIs and generated detailed reports for team leaders and HR to assess performance.

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**Training and Rollout:**

1. The incentive plan was communicated to all teams through workshops and training sessions.
2. Managers were trained on how to motivate teams effectively and align their efforts with the broader organizational goals.

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## Impact:

1. **Increased Sales Performance:** Sales numbers increased by 25% within the first quarter after the incentive plan was introduced. Employees were more motivated to achieve higher targets due to clear performance-based rewards.
2. **Improved Operational Efficiency:** The operations team reported a 30% reduction in delays and errors, resulting in improved customer satisfaction and faster loan processing times.
3. **Enhanced Recovery Rates:** The recovery team saw a 40% improvement in overdue loan recoveries, with more on-time payments and faster resolutions of bad debt.
4. **Employee Retention:** Employee attrition dropped by 15% within the first six months as the incentive plan increased job satisfaction, providing more visible rewards for performance.
5. **Alignment with Strategic Goals:** The incentive plan helped align individual and team efforts with the company's overall strategic goals, leading to overall growth in profitability and market competitiveness.
6. **Sustainable Motivation:** The tiered structure encouraged ongoing performance improvements, and regular evaluations kept teams engaged, fostering a high-performance culture across departments.

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## **Conclusion:**

Technovative Consulting successfully helped the Panvel-based NBFC design and implement a tailored incentive plan that not only boosted team performance but also fostered a culture of accountability and motivation. By aligning incentives with the company's business objectives, the client saw substantial improvements across sales, operations, and recovery, leading to increased profitability and reduced turnover.