Guest,

Welcome to:

The Keys To Using Performance Incentives

Presented by
Lighthouse Consulting Services, LLC

To print program slides, click here:

Featured Guest:
Marc Emmer
President, Optimize Inc.
Author of Intended Consequences
Phone: (661) 296-2568
Email: marc@optimizeinc.net
Website: www.optimizeinc.net

Host:
Dana Borowka, MA
CEO, Lighthouse Consulting Services, LLC
Author of Cracking The Personality Code
Phone: (310) 453-6556, ext. 403
Email: dana@lighthouseconsulting.com
Book: www.crackingthepersonalitycode.com

© 2011 Lighthouse Consulting Services, LLC All Rights Reserved

3130 Wilshire Blvd. Suite 550
Santa Monica, CA 90403
T 310.453.6556
F 310.828.6987
reception@lighthouseconsulting.com

• In-depth Workstyle & Personality Assessments
• Interpersonal Coaching
• Workshops - Cracking The Personality Code
• Career Guidance
The Business Problem

- Preceding the recession, the average merit increase was 4%*. With a flat economy, employment costs escalating faster than profits is a zero sum game

- Employers with inflexible compensation systems were forced to lay off workers during the downturn

---

**Featured Guest:**
Marc Emmer  
President, Optimize Inc.  
**Author of** Intended Consequences

Phone: (661) 296-2568  
Email: marc@optimizeinc.net  
Website: www.optimizeinc.net

**Host:**  
Dana Borowka, MA  
CEO, Lighthouse Consulting Services, LLC  
**Author of** Cracking The Personality Code

Phone: (310) 453-6556, ext. 403  
Email: dana@lighthouseconsulting.com  
Book: [www.crackingthepersonalitycode.com](http://www.crackingthepersonalitycode.com)
Limitations of Traditional Compensation Models

- Do not allow for modifications during economic fluctuations (such as 2008-2009 downturn)
- Places all the burden of such fluctuations solely on the employer
- Subjective evaluation puts the employer at risk
- Does not reinforce accountability

Featured Guest:
Marc Emmer
President, Optimize Inc.
Author of Intended Consequences
Phone: (661) 296-2568
Email: marc@optimizeinc.net
Website: www.optimizeinc.net

Host:
Dana Borowka, MA
CEO, Lighthouse Consulting Services, LLC
Author of Cracking The Personality Code
Phone: (310) 453-6556, ext. 403
Email: dana@lighthouseconsulting.com
Book: www.crackingthepersonalitycode.com

© 2011 Lighthouse Consulting Services, LLC  All Rights Reserved

3130 Wilshire Blvd. Suite 550
Santa Monica, CA 90403
T 310.453.6556
F 310.828.6987
reception@lighthouseconsulting.com

- In-depth Workstyle & Personality Assessments
- Interpersonal Coaching
- Workshops - Cracking The Personality Code
- Career Guidance
Initiatives that Deliver Greatest Financial Returns

Featured Guest:
Marc Emmer
President, Optimize Inc.
Author of *Intended Consequences*
Phone: (661) 296-2568
Email: marc@optimizeinc.net
Website: www.optimizeinc.net

Host:
Dana Borowka, MA
CEO, Lighthouse Consulting Services, LLC
Author of *Cracking The Personality Code*
Phone: (310) 453-6556, ext. 403
Email: dana@lighthouseconsulting.com
Book: www.crackingthepersonalitycode.com

- In-depth Workstyle & Personality Assessments
- Interpersonal Coaching
- Workshops - Cracking The Personality Code
- Career Guidance
# Top Financial Performers-Best Practices

<table>
<thead>
<tr>
<th></th>
<th>Bottom 10%</th>
<th>Top 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales per employee</td>
<td>158,101</td>
<td>617,576</td>
</tr>
<tr>
<td>Market value to book</td>
<td>3.6</td>
<td>11.1</td>
</tr>
<tr>
<td>% whose merit increase or incentives tied to performance</td>
<td>2%</td>
<td>11.1</td>
</tr>
<tr>
<td># of hours training-new employees</td>
<td>35</td>
<td>87%</td>
</tr>
<tr>
<td># of hours training-experienced employees</td>
<td>13</td>
<td>72</td>
</tr>
<tr>
<td>% of employees-regular performance appraisal</td>
<td>4%</td>
<td>95%</td>
</tr>
</tbody>
</table>

## Featured Guest:
**Marc Emmer**  
President, Optimize Inc.  
Author of *Intended Consequences*  
Phone: (661) 296-2568  
Email: marc@optimizeinc.net  
Website: www.optimizeinc.net

## Host:
**Dana Borowka, MA**  
CEO, Lighthouse Consulting Services, LLC  
Author of *Cracking The Personality Code*  
Phone: (310) 453-6556, ext. 403  
Email: dana@lighthouseconsulting.com  
Book: www.crackingthepersonalitycode.com

---

© 2011 Lighthouse Consulting Services, LLC  All Rights Reserved

3130 Wilshire Blvd. Suite 550  
Santa Monica, CA 90403  
T 310.453.6556  
F 310.828.6987  
reception@lighthouseconsulting.com

- In-depth Workstyle & Personality Assessments
- Interpersonal Coaching
- Workshops - Cracking The Personality Code
- Career Guidance
Challenges in Implementing Performance Based Pay

- The proportion of incentive must be sizable enough to motivate staff. Once base pay is established it is hard to unwind.
- Must be supported by a credible system of measurement.
- Requires management to be thoughtful in the creation of a bonus pool.
- Financial incentives alone are ineffective—must be coupled with other PM tools.

Featured Guest:
Marc Emmer
President, Optimize Inc.
Author of Intended Consequences
Phone: (661) 296-2568
Email: marc@optimizeinc.net
Website: www.optimizeinc.net

Host:
Dana Borowka, MA
CEO, Lighthouse Consulting Services, LLC
Author of Cracking The Personality Code
Phone: (310) 453-6556, ext. 403
Email: dana@lighthouseconsulting.com
Book: www.crackingthepersonalitycode.com
A Powerful Combination Scorecard-Performance Based Pay

- Scorecard provides a framework for universal measurement and teamwork.

- Creates organizational alignment. Rewards and reinforces desired behaviors.

- Promotes clear goal setting and removes subjectivity.

Featured Guest:
Marc Emmer
President, Optimize Inc.
Author of Intended Consequences
Phone: (661) 296-2568
Email: marc@optimizeinc.net
Website: www.optimizeinc.net

Host:
Dana Borowka, MA
CEO, Lighthouse Consulting Services, LLC
Author of Cracking The Personality Code
Phone: (310) 453-6556, ext. 403
Email: dana@lighthouseconsulting.com
Book: www.crackingthepersonalitycode.com
# Scorecard Example

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>40%</td>
</tr>
<tr>
<td>Receivables +60 Days</td>
<td>10%</td>
</tr>
<tr>
<td>Aging Inventory</td>
<td>10%</td>
</tr>
<tr>
<td>Overtime Hours</td>
<td>20%</td>
</tr>
<tr>
<td>Customer</td>
<td>20%</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>10%</td>
</tr>
<tr>
<td>New Customer Growth</td>
<td>5%</td>
</tr>
<tr>
<td>RFQ's Submitted</td>
<td>5%</td>
</tr>
<tr>
<td>Process</td>
<td>20%</td>
</tr>
<tr>
<td>Cycle Time</td>
<td>5%</td>
</tr>
<tr>
<td>Defects</td>
<td>13%</td>
</tr>
<tr>
<td>Machine Uptime</td>
<td>5%</td>
</tr>
<tr>
<td>Learning and Growth</td>
<td>20%</td>
</tr>
<tr>
<td>Employee Retention</td>
<td>5%</td>
</tr>
<tr>
<td>Employee Satisfaction</td>
<td>10%</td>
</tr>
</tbody>
</table>

Note the use of predicative indicators

---

**Featured Guest:**
Marc Emmer  
President, Optimize Inc.  
**Author of** Intended Consequences  
Phone: (661) 296-2568  
Email: marc@optimizeinc.net  
Website: www.optimizeinc.net

**Host:**
Dana Borowka, MA  
CEO, Lighthouse Consulting Services, LLC  
**Author of** Cracking The Personality Code  
Phone: (310) 453-6556, ext. 403  
Email: dana@lighthouseconsulting.com  
Book: www.crackingthepersonalitycode.com

---

© 2011 Lighthouse Consulting Services, LLC  All Rights Reserved

3130 Wilshire Blvd. Suite 550  
Santa Monica, CA 90403  
T 310.453.6556  
F 310.828.6987  
reception@lighthouseconsulting.com

- In-depth Workstyle & Personality Assessments
- Interpersonal Coaching
- Workshops - Cracking The Personality Code
- Career Guidance
Example Pay for Performance Calculation

**Featured Guest:**
Marc Emmer  
President, Optimize Inc.  
Author of *Intended Consequences*  
Phone: (661) 296-2568  
Email: marc@optimizeinc.net  
Website: www.optimizeinc.net

**Host:**
Dana Borowka, MA  
CEO, Lighthouse Consulting Services, LLC  
Author of *Cracking The Personality Code*  
Phone: (310) 453-6556, ext. 403  
Email: dana@lighthouseconsulting.com  
Book: www.crackingthepersonalitycode.com

### Financial Indicators (Actual Bonus Calculation)

<table>
<thead>
<tr>
<th>Weight of this Section</th>
<th>% Total Bonus: $10,000</th>
<th>Must Equal: 75 – 125</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Weight</strong></td>
<td><strong>Goal</strong></td>
<td><strong>Actual</strong></td>
</tr>
<tr>
<td>EBIT/TA % Increase</td>
<td>40%</td>
<td>$500,000</td>
</tr>
<tr>
<td>Department Profit</td>
<td>20%</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

**Bonus Achieved Financial:** $3,200

### Scorecard Indicators (Actual Bonus Calculation)

<table>
<thead>
<tr>
<th>Weight of this Section</th>
<th>% Total Bonus: $5,000</th>
<th>Must Equal: 75 – 133</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Weight</strong></td>
<td><strong>Goal</strong></td>
<td><strong>Actual</strong></td>
</tr>
<tr>
<td>Rate Spillage</td>
<td>50%</td>
<td>3%</td>
</tr>
<tr>
<td>On time delivery – percentage points over 85%</td>
<td>50%</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Bonus Achieved Scorecard:** $5,833

### Job Performance Indicators (Actual Bonus Calculation)

<table>
<thead>
<tr>
<th>Weight of this Section</th>
<th>% Total Bonus: $9,000</th>
<th>Must Equal: 75 – 125</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Weight</strong></td>
<td><strong>Goal</strong></td>
<td><strong>Actual</strong></td>
</tr>
<tr>
<td>Integrate cost system by 06/30/11</td>
<td>50%</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Technology training all staff by 12/01/10</td>
<td>50%</td>
<td>Yes/No</td>
</tr>
</tbody>
</table>

**Bonus Achieved Job Performance:** $7,500

---

© 2011 Lighthouse Consulting Services, LLC All Rights Reserved

---

**In-depth Workstyle & Personality Assessments**  
**Interpersonal Coaching**  
**Workshops - Cracking The Personality Code**  
**Career Guidance**
Assumptions

- The following steps assume:
  - Salaries are within the industry norm
  - Performance reviews are performed consistently
Steps to Creating a Performance Based Pay System

1. Gain agreement on strategic direction.
2. Create a scorecard that measures strategy. Institute a scorecard culture first.
3. Analyze the costs and benefits of an incentive plan.

Featured Guest:
Marc Emmer
President, Optimize Inc.
Author of Intended Consequences
Phone: (661) 296-2568
Email: marc@optimizeinc.net
Website: www.optimizeinc.net

Host:
Dana Borowka, MA
CEO, Lighthouse Consulting Services, LLC
Author of Cracking The Personality Code
Phone: (310) 453-6556, ext. 403
Email: dana@lighthouseconsulting.com
Book: www.crackingthepersonalitycode.com

© 2011 Lighthouse Consulting Services, LLC  All Rights Reserved
3130 Wilshire Blvd. Suite 550
Santa Monica, CA 90403
T 310.453.6556
F 310.828.6987
reception@lighthouseconsulting.com

- In-depth Workstyle & Personality Assessments
- Interpersonal Coaching
- Workshops - Cracking The Personality Code
- Career Guidance
Steps to Creating a Performance Based Pay system (cont.)

4. Freeze current salaries.

5. Budget for a bonus pool favorable to the bottom line and a **win for employees**.


Thank you for attending
The Keys To Using Performance Incentives

Click Here to contact our Featured Guest directly.

Click on this link to sign up for our upcoming Open Line:
Building A Sales and Marketing Plan That’s Implementable and Within Budget

Presented by
Lighthouse Consulting Services, LLC

Featured Guest:
Marc Emmer
President, Optimize Inc.
Author of Intended Consequences
Phone: (661) 296-2568
Email: marc@optimizeinc.net
Website: wwwoptimizeinc.net

Host:
Dana Borowka, MA
CEO, Lighthouse Consulting Services, LLC
Author of Cracking The Personality Code
Phone: (310) 453-6556, ext. 403
Email: dana@lighthouseconsulting.com
Book: www.crackingthepersonalitycode.com