

Variable Compensation: When is it Right and for Whom?

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This is something we've been working to incorporate for a few years now. The answer was clear, yet not simple. The answer to When is now and the answer for Whom is everyone. Implementing this is not as simple. There are certain stigmas to overcome when it concerns someone's salary in an agency environment. Let's face it: We've not given anyone any reason not to be cynical about an "incentive-based compensation" package.

The reality is this: The agency business has always been a bit transient in terms of a career and, as a result, you learned to get as much up front in salary as you could because a "raise" or bonus was not something you could count on. As far as loyalty, it was admirable but not necessarily real. In fact, if you were offered a signing bonus, it was prudent to roll that into your salary (if the agency was willing).

Sometime around the summer of 2008, when the agency business became a scary place to be, the time seemed right to begin offering variable types of compensation including base plus incentives for senior leaders and management. The logic here was to keep as many associates engaged and employed full-time as possible as we worked our way through uncertain economic times. We wanted to do so in a way that gave them an incentive to push even more during hard times and leverage the stability of the agency rather than begin looking around for a more "secure" job.

The insight here is that, for many, the thought of taking on new business or growing existing business (especially in down times with less people typically) is not an attractive thought. In fact, it's a disincentive. What's on your associates/managers' minds during this time? "More work with less people makes me very unhappy and ultimately, my head is not in the game so as soon as things get better I'm out of here. For now, I'll go through the motions."

This is not the environment in which great work happens. This is how and why clients leave their current agency: They're not getting good work anymore, and/or they are not getting the attention they expect. We were counting on that very scenario playing out at other agencies and were ready to receive their disenchanted clients with a confident and willing work force. Keep in mind that our organization has a reputation for real loyalty, fair salaries, great creative thinking and strong financial leadership, so we felt we could offer up this type of plan and associates would take us at our word. With that, we instituted a variable compensation model that allows us to pay a fair base with no-limit incentives tied to top-line revenue and margin contribution at an aggressive rate. As we moved through the first few years of tough times, our model held and our associates were happy to be employed and to onboard new clients as they watched industry friends get laid off. Because we had

asked everyone to buckle down and hit it hard during tough times with the incentive on the backside of sharing in the profits, we did just that.

As an organization, we grew every year and, in fact, have doubled the size of our organization over the past six years. As we close 2011, we are happy to report that individuals who took advantage of this type of package will see the benefits. Some have earned as much as 50 percent of base salary and others will receive bonus payouts at 20 percent of base. If you want to grow loyal associates, create an environment where they feel safe and able to share their gifts while earning as much as they can.

Contributor Bio:

For 26 years, Doug has been studying the “art of observation” and filtering out the human truths. Whether it be digging for key customer/consumer insights or preparing the next national retail promotion, it’s all about the ability to “hear and see” what others may not, and asking the hard questions that get us to the possibilities. Whether through traditional advertising, brand and product innovation or repositioning/refreshing a brand, it’s all been with the understanding that “we humans” are not complicated; we seek connection in a way we can relate to. Doug is the VP of Business Development for the Marlin Network (<http://www.marlinnetwork.com/>).