

# New Approach To Target & Reward

**A** new year approaches and just as night follows day a new system of targeting and reward is to be introduced in Telephony. 'Performance Management Balanced Scorecard' is the latest in a long line of revisions, evolutions and radical changes in targeting and attempts to shape the management ethos. But we are told that this is going to be different.

Balanced Scorecard (BS) is said to be an attempt to achieve a more honest and ethical approach to meeting customer needs rather than simply to satisfy Bank or individual targets. When it was introduced into the Retail Network, the Bank told LTU that the then KCO (Key Customer Objectives) system, i.e. sales targets, had fallen into disrepute and had encouraged "value destroying behaviours".

Since its introduction into the Retail Network, BS has been progressively rolled out into other parts of the Bank. Though tailored to the requirements of each Business Unit the central tenets remain. The philosophy behind BS is

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that staff at all levels should believe in what they are being asked to do and that objectives should be clearly understood, make sense and be achievable.

Whilst BS could be said to take a more holistic and overtly ethical approach it is not dissimilar to previous arrangements that took account of whole job performance and contribution. Nevertheless, BS does represent a significant change and, given the Bank's stated desire to improve management behaviours at all levels, and based on our experience of the scheme to date, it deserves a guarded welcome.

The basics of the system are explained inside this Newsletter.

# Balanced Scorecard Explained

Balanced Scorecard will be introduced from 1st January next year and will replace all existing Managerial bonus schemes and the discretionary 2.5% bonus.

The 2.5% bonus due in April 2004 based on 2003 performance will therefore be the last payment under this discredited and divisive scheme. On-target bonuses for Agents under the new scheme would be £400 in a full year compared to a typical discretionary payment, paid to only a proportion of staff, of £225.

There will be 9 differently weighted Scorecards for each of:

- Head of Contact Centre
- Senior Customer Relationship Managers
- Customer Relationship Managers
- Team Leaders
- Band 6 CICS Verifiers
- Advisers
- Customer Relationship Managers (Operational Support)
- Team Leaders (Operational Support)
- Bands 7&8 (Operational Support).

The Scheme is designed to assess performance and award bonuses on a quarterly basis. The quarterly bonus available is related to Band and the level of achievement in each measure:

- Advisers whose CRM Group achieve 2 out of 4 categories of the Scorecard, and Bands 7&8 in Operational Support who achieve 1 out of 3 categories, would receive a bonus. The maximum Core Reward, i.e. on-target bonus, would be £100 each quarter (£400 in a full year)
- Band 6 CICS Verifiers achieving 1 out of 3 categories and Team Leaders (Operational Support) achieving 2 out of 4 would receive a bonus. The maximum Core Reward would be £150 (£600 for the full year)

- other Team Leaders would have to achieve 3 out of 5 categories with their maximum Core Reward also being £150 (£600 for the year)
- all managerial staff have to achieve 3 out of 5 categories and would receive a bonus equivalent to 15% of quarterly salary.

These bonuses are not capped, meaning that, in addition to the Core Reward, if teams over achieve against their targets the level of bonus increases accordingly.

Although the Scheme is designed to assess performance and award bonuses on a quarterly basis, we have agreed that the first two quarters performance next year will be assessed as one period with any bonus payments delayed until August. This is to ensure that during Quarter 1 we can jointly assess with the Bank the adequacy of the Measures used and whether they are genuinely realistic and achievable. It is anticipated that from Q3 the scheme will operate properly on a quarterly basis.

The Scorecards will consist of:

## Contribution

This will include Customer and Sales Income and, for Managers and Team Leaders, Headcount and Controllable Costs. This category accounts for between 10% and 20% of the overall Scorecard.

There is obviously a concern that with Managers being rewarded for holding down staff costs this could lead to yet more Management Style issues. However, 'people issues' in the Scorecard for management will include staff member assessment of management behaviour and the Bank says that its expectation is that this should help counter any inappropriate management behaviour.

On the other hand we will be looking to see whether Managers will have real opportunities to keep the Bank and staff satisfied at the same time. If they are given unrealistic cost control objectives staff problems will inevitably follow.

## Franchise Growth

This Measure, which does not apply to Operational Support Roles, has two elements, Sales and Balance Growth and accounts for between 25% and 40% of the Scorecard.

Sales relates to both New and Assisted Sales as well as Appointments. Balance Growth is measured on the retention and growth of customers' assets, borrowing and insurance products held.

## People

This category, which applies only to Managers and Team Leaders, is intended to measure the efficient management and development of staff. Weightings range between 15% and 30%.

Measures include;

- Staff Retention in the first 12 months of staff joining the Bank. The Bank's target is to retain at least 70% of new entrants.

## LTU Policy

When the Balanced Scorecard was first introduced into the Bank we commented that anything that helps shift the Bank's focus away from an obsession with short-term sales performance and towards an equal concentration on longer-term growth should be a good thing. But for BS to succeed there would need to be a wholehearted commitment to this new approach at a senior level in the Bank

- Utilisation, i.e. the amount of time spent actually on the phone.
- Employee satisfaction through Staff Viewpoint.
- Reducing short term sickness absence rates.
- Customer Advisers progression to effective Level 1.

## Service Quality

This category, which accounts for between 30% and 40% of the Scorecard, is measured on 6 areas.

These are Telephony CARE (based on the Network CARE index), Call Quality, Phonebank Express registrations, Abandonment Rate, Call Maturity and Standard Grade of Service (GOS).

## Risk

Risk accounts for between 10% and 15% and Measures include the Risk Knowledge Review, Non-Compliant Call Quality, and complaints received.

and just as importantly, that managers at all levels live up to the behaviours which are integral to its success. It is still too early to judge the success of the Balanced Scorecard but the signs are positive, and its introduction has our support.

I will keep members informed of developments.

**NICK HOLT**  
Assistant General Secretary