How to motivate your collections team with incentives that work

A Decision Analytics briefing paper from Experian

July 2009
Introduction

Put yourself in the shoes of one of your collections team. The year ahead is challenging. Their workload is increasing as the country sinks deeper into recession and consumer debt escalates, and they are working tiring, stressful shifts talking to people who don't want to talk about their debts.

So, what kind of incentives can improve your collections performance at the same time as creating a well motivated and productive team?

Incentives have been a popular method to help boost staff performance. The rewards usually relate to the achievement of certain goals - either personal, team, organisational or a combination of all three. A well-constructed incentive scheme will increase staff morale and loyalty, as well as making a valuable difference to productivity. It will ensure you are managing a team who are running at full speed and capability during these busy, turbulent times. However, Collections Managers can also implement alternative non-monetary incentive schemes that can provide additional staff commitment and effectiveness.

This paper looks at the entire range of techniques open to the Collections Manager and identifies how they can help build a focused and motivated team.

Getting started

Incentives must be affordable to your business and relevant to the collections role. Before introducing a new incentive programme, clearly explain your objectives to the team. If your main goal is to maximise profitability, boost morale by letting your team know they are a major source of profit - their understanding of how individual performance relates to the business will deepen their commitment to the programme once it begins.

To help you decide what to include in the incentive scheme, you must firstly understand what drives your team. This should be ascertained by conducting regular performance appraisals, call monitoring, attitude surveys and informal conversations. Staff will probably tell you that increased status and recognition, higher pay, better working conditions and improved benefits would increase both morale and performance. We can look into incentives that address these requirements individually, but let’s begin with the most obvious: money.

Money is a powerful motivator

The current economic climate guarantees that money is more important to your team than ever and they want to be financially rewarded for their efforts. In the collections industry, collectors work individually so it is wise to target them in this way when using financial incentives. Comparing individuals can also achieve higher performance levels as the cachet of being 'top dog' is a real motivator for some. Our advice is to begin by targeting staff in three familiar areas and ensure from the start that your collections system delivers the depth and granularity of management information to support your incentive programme.

Collector performance monitoring

Collector key performance indicators (KPIs) can be measured on a variety of statistics to enable collectors to be rewarded for good performance.
1. Promise to pay rates
Firstly, collectors can be measured via 'promises to pay per hour' statistics. The components of this metric are the number of negotiations concluded with a 'promise to pay' in the time that a collector is logged on.

2. Collector contact efficiency
The second performance measurement might be 'contact efficiency', which is calculated by the number of successful customer contacts expressed as a proportion of the number of outbound calls placed. The contact efficiency of individual collectors can be monitored by their availability to take calls. When average talk time is tracked it can give an insight into a collector’s call control capability when viewed alongside others, so that individuals can be rewarded accordingly. The contact efficiency generally changed from delinquency bucket to bucket and deteriorates with increasing delinquency.

3. Promise kept rates
Thirdly, you might monitor and assess staff through their individual 'promise kept rates'. For a typical measurement period of a calendar month a collector might have 300 promises reach maturity. If 200 of those pay on time and within tolerance, the promise kept rate for the period is 300 divided by 200; 66%. Carefully consider how specific objectives might corrupt the performance of staff and choose a collections tool that can control who is offered promises and the value of those promises.

The fundamental targets for performance in these three areas should be set by management and successful collectors should be rewarded with clearly defined payments, but beware of setting limits on the reward available as this could put a ceiling on productivity.

A regularly updated league table will ensure your team are results-orientated, making the incentive really effective. If you find this specific motivation technique works well for your team, consider targeting other aspects of their role in a similar way.

It should be remembered that a collections team is only as good as its weakest member; rather than increasing the 'spread' between the best and worst collectors, the aim should be improving the overall performance of the team.

Clearly, performance-related payments can benefit both the collector and the business, but money is not all that motivates people. While your staff will respond well to financial rewards, most need to feel that their day-to-day tasks and long-term prospects offer them the required challenge and development opportunities.

Workload management
The requests made of your collectors on a day-to-day basis is a key contributor to their motivation and productivity. A resource manager needs to consider the level of workload and the skill required to do it; too much and your staff may feel overworked, too little will reduce productivity and demoralise most staff. It is a challenge for the Collections Manager to be able to assign cases to collectors which they are able to manage but provide a level of challenge that will keep them interested and motivated. A variety of ‘easy money’ or ‘small balance’ challenges would give your tired collectors a well deserved change.

Personal development
Many staff also need to feel that they are developing within the realms of the business and increasing their professional status. This is why many workers will cite training and development opportunities as a key motivator, so consider arranging collections courses and workshops for your team. This will equip staff with the skills they need to do their job better, and reinforces that they are valuable
to the company and worthy of investment to develop them.

Some staff may decide to take the next step and work towards gaining an industry-recognised qualification. This can be valuable to the organisation, so it is worth helping to full or part fund where possible. Make sure everyone in the team understands their success and use that success as an example of what is available to everyone within the company. If employees understand that they have a future with the organisation they will work harder to succeed.

We have explored how money and career development can be important motivators for your collections team and the ways in which they might be implemented as successful incentives. However, levels of productivity amongst staff and participation in training and development opportunities will not be wholly successful without adequate personal support from management.

Performance planning
One way in which you can show commitment is by putting together a support programme for collections staff to help them in the year ahead. Firstly, draw up detailed development plans for individuals and agree on their strengths and weaknesses. Discuss performance objectives and targets for the year ahead and support these goals by offering a mentoring scheme for those who may need it; mentoring allows employees to feedback from previous experiences, reflect on them, draw conclusions and experiment with ways in which they could handle similar experiences in the future.

Creative incentives
Other options will also help keep your team positive in these difficult times and could be as simple as offering more flexible working hours, an increased holiday allowance or a discount affiliate scheme with local businesses. The pressure of their role means that stress levels may be tested, so think of ways in which you can make their working life more enjoyable and help them to be as productive as possible. Once again, talk to your staff, ask what appeals to them and agree on appropriate incentives to keep them motivated.

Events
You might consider participating in a formal dinner and dance, on an annual basis. A social event can lift team spirits and, whilst not actually a direct incentive to work harder, will boost morale. This could be an internal event, or, perhaps better, could be attending the appropriate industry awards dinner. Alternatively, you could look into corporate team-building days, where staff from every division in your company can undertake activities such as archery, clay pigeon shooting or quad biking. Regular team treats, such as pizza on a Friday, or birthday cakes will also improve group dynamics and create a happier and more positive atmosphere in the office.

The office environment
Understand that your working environment influences productivity levels and team morale. A shabby or stuffy office can act as a demotivator that inhibits performance, so take the time to spring clean work units, open the blinds and perhaps invest in some pot plants.

A good Collections Manager will take the time to ensure their staff are appropriately equipped for the task, so make sure that software is up to date and programmes are tailored to fit the requirements of the collections role.

Investing in a debt management software solution designed to handle the entire collections lifecycle will streamline the workload and make each task as simple as possible. The best collections solutions will allow Collections Managers to allocate worklists according to the experience and ability of collectors, ensuring every
collector is suitably challenged and motivation is maintained. As previously iterated, an effective collections system will also control the way in which cash rewards are allocated, avoiding bonus corruption.

Configurable user interfaces allow the screen display to be tailored to support a range of skill levels, allowing more experienced collectors to use their initiative and newer staff to follow scripting and online help, if required. Collectors can be afforded controlled freedom to negotiate within pre-defined parameters set by the business.

In built sophisticated management information reporting monitors and highlights collector and team performance and enables collector KPIs to be accurately measured and appropriately rewarded. What’s more, key performance indicators can be adjusted to reflect different types of cases and their consequential rewards, keeping a diverse collections team motivated at all times.

Ulhamently, combining financial and professional incentives with smaller perks and changes to the business will ensure you are managing a collections team who are happier, more confident and - most importantly - motivated for the year ahead. But how do you ensure that things stay this way?

The answer is to communicate, listen and give regular feedback to your collections agents. Be open about the challenges facing your organisation. The environment is already challenging, so listening and responding to employee feedback about the incentive scheme is also important. If your employees believe that you are trying to treat them fairly and provide the tools they need to succeed, they are more likely to respond by working hard and creatively to improve the company’s prospects.

Your incentive programme may need tweaking as the year progresses and demands on your staff increase, so react accordingly as factors change. Skilled staff are your biggest asset and best tool in the collection and recovery of debt, so investing in motivating them does not cost money, it makes money.