

# PRWeek

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### Formulating incentive strategies that encourage entrepreneurship

Layoffs abound across the industry. Revenue growth declined significantly for many firms in 2008 and the 2009 forecast is modest, at best.

In this climate, the innovative PR firm must not only focus on expense reduction, but also on its revenue. A critical way to achieve this goal is to incentivize key employees to help the company thrive.

Here are four key steps to guide companies in aligning their ranks and key talent to maximize revenue growth:

■ **Transparency is in.** Empower your employees. If you want staff to understand the company's direction and help you to get there, encourage dialogue and open communication between senior management and the employees doing the legwork. Let staffers know that they are an integral part of the company's success.

■ **The silo is out.** Long gone is the day where only the CEO or members of a firm's executive committee are or should be solely responsible for generating new business. Encourage all employees to bring forward ideas – large or small – to help grow revenue. A hidden gem of innovation may come from the unlikeliest of sources.

■ **Discretionary bonuses are out.** Most PR firms still rely heavily on the discretionary annual bonus for even mid-level and senior employees. Is it any wonder then that staffers are generally unable to achieve any revenue or profit goals in a given month, quarter, or year when the firm does not articulate in advance an objective against which the incentive awards will be determined? Like the song from *South Pacific*, "If you don't have

dreams, how ya goin' to make your dreams come true?" By analogy, how can an agency encourage or expect its employees to achieve targets that it does not articulate in a meaningful way in advance?

■ **Creating the right plan is in.** A smart agency should establish the bonus pool based upon objective factors, for example, a percentage of the firm's pre-tax profits. Then, and most importantly, the firm should specify the criteria on which incentives will be awarded to a particular employee. For example, a staffer's incentive arrangement may be based on a pre-determined level of 1) profit growth; 2) revenue growth; 3) new business, whether from new or pre-existing clients; or 4) subjective factors, such as the employee's overall contribution to the firm and teamwork. Each firm might weigh these factors differently based on its strategic goals, but the key is to set objectives in advance so employees know what is expected of them – and can work hard to achieve it.

In sum, cost-cutting only focuses on half of the income statement. Good agency management will seek savvy legal and business counsel to design incentive plans that create an "army of entrepreneurs" to help the agency build revenue and profits. This is the best way to stop dwelling on the uncertainty and to restore "certainty" to the direction of the firm. ■

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