



ADI Aubrey Daniels International

PERFORMANCE MEASUREMENT AND INCENTIVE PAY

SYSTEM COMPONENT OVERVIEW

performance matrices • performance scorecards • leadership & implementation support • profit-indexed performance pay

Overview

ADI's Performance Scorecard & Incentive Pay System is one of the most advanced and effective systems available for maximizing and sustaining employee performance and organizational profitability. Based on extensive research and the principles of applied behavior analysis, this approach provides your company with a powerhouse performance system that effectively communicates organizational strategy to all levels within the company. Then it equitably distributes performance-based pay according to objective, results-driven performance improvement.



System Components

Performance Scorecards

Performance scorecards are developed at each level in the organization to pinpoint key employee results that are aligned to departmental, divisional, and organizational strategy.

Performance Feedback & Diagnostics

Performance trend graphs are updated each month and display up to 12 months of data. These graphs are a powerful tool to showcase continuous performance improvement, pinpoint improvement opportunities, and assess the validity of the data for each measure.

Profit-Indexed Performance Pay

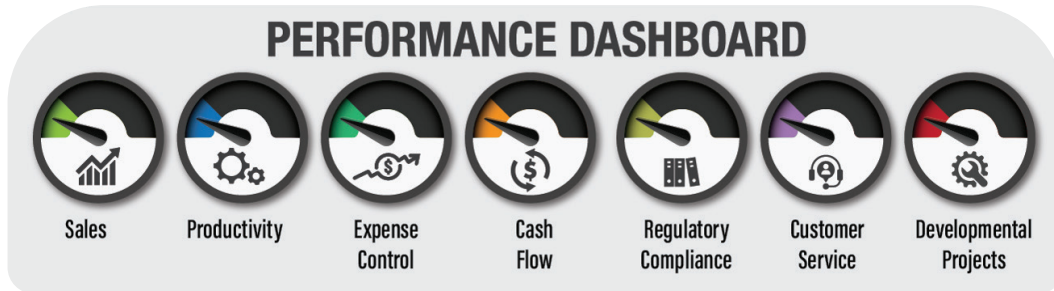
The amount of incentive pay an employee earns is connected to their performance scorecards. You have the option to create a Profit-Indexed plan or you can use a Budgeted plan. Our system is flexible to manage either or a combination of both.

Total System Administration & Support

ADI provides implementation and ongoing monthly support to our clients. From leading the scorecard design process, to processing performance data and generating reports, to providing comprehensive system audits, we'll help ensure your system is a success.

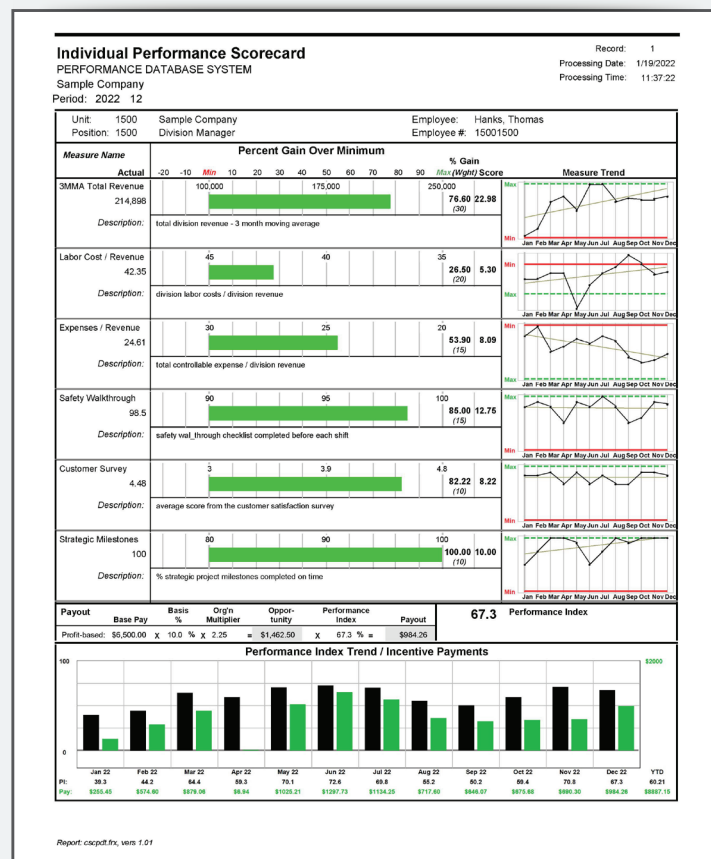
Performance Scorecards

The first step in designing a successful system is creating a foundation of objective performance metrics that drive organizational success. The design process begins with the company's Strategic scorecard. By analyzing each of the seven key profit driver categories on our Performance Dashboard, measures are developed to establish and clearly communicate the company's goals. Using the method of cascading objectives, scorecards are designed and cascaded throughout each division to ensure that the contributions of every position are aligned with team, departmental, and ultimately, strategic objectives.



ADI's performance scorecard format:

- Greatly simplifies plan design and administration
- Balances performance metrics using priority weights
- Is easily understood by everyone
- Allows for a combination of individual, team, and linked performance metrics
- Provides the individual with monthly performance and incentive pay information



Profit-Indexed Performance Pay

Profit-Indexed Performance Pay uses several variables that allow you to establish specific guidelines for incentive pay opportunities. This begins with an incentive pay funding threshold the company must achieve before incentives are available. Once the threshold is met, incentives can be paid based on scorecard performance. Incentive opportunities can increase depending on how far the threshold is exceeded. This reinforces the connection between performance improvement, company profitability, and incentive pay earned.

Our system can also manage variations of incentive pay calculations, including budgeted and guaranteed opportunities, bonuses, or a combination of different plans to help you achieve your ideal incentive plan.

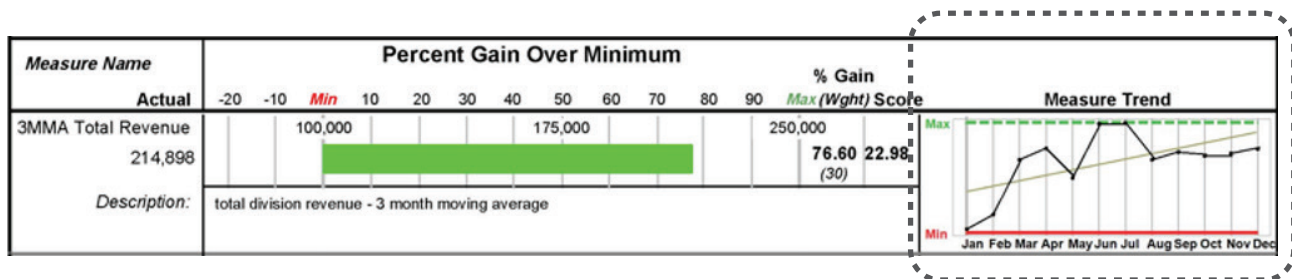
If the client's strategy is to reduce the ever-increasing, fixed-expense payroll, the performance pay system can be used to replace annual pay increases and for voluntary base pay reductions. If the client's strategy is to expand employee skills and implement cross-utilization, the system can be used to encourage and reward these activities.



Performance Feedback & Diagnostics

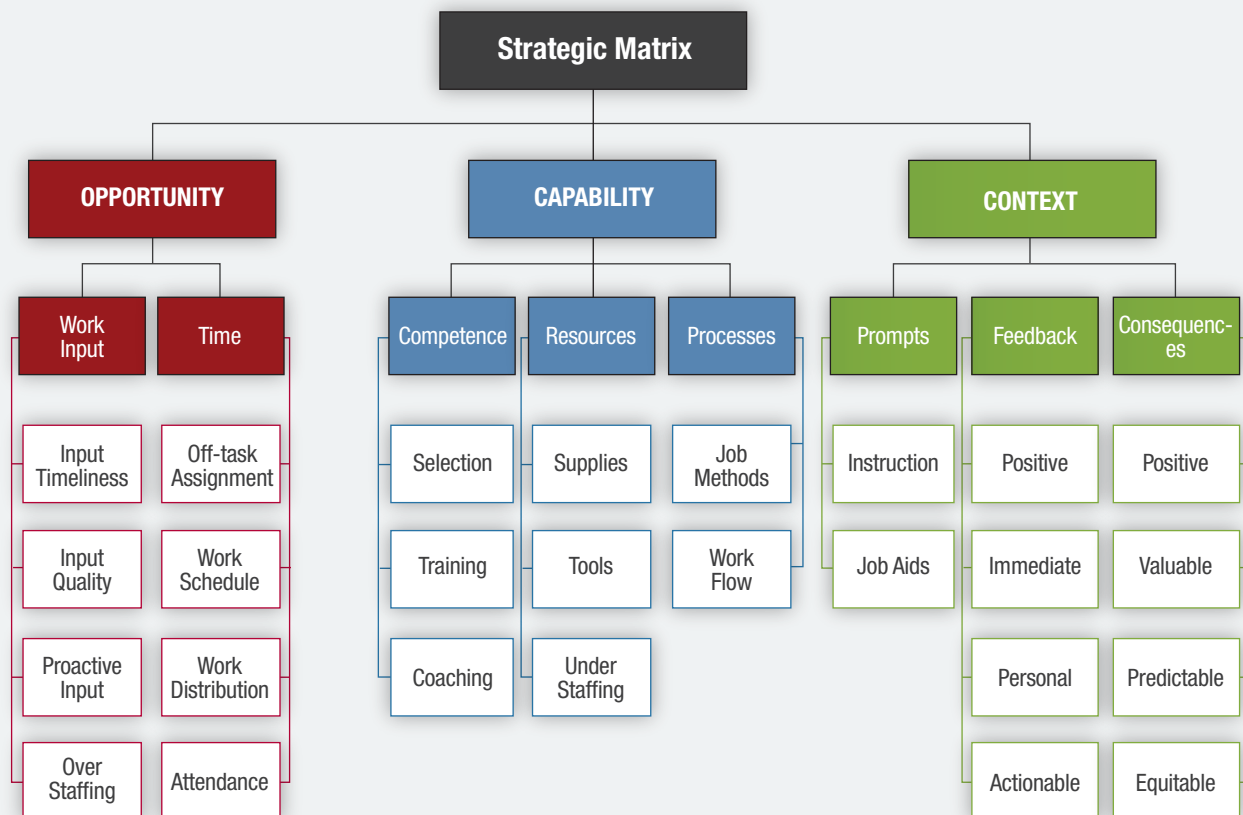
The performance scorecards serve as a feedback tool for managers to share with their employees in monthly performance discussions and during action planning. In addition to providing the monthly performance scores and incentive pay earned, the scorecards contain an integrated diagnostic component: the measure trend graph. With these performance trend graphs, not only can managers recognize and celebrate continuous performance improvement, but the graphs can also help employees and their managers identify performance improvement opportunities.

For instance, if the trend line is trending towards the Min, or if the data are highly variable or not variable at all – these scenarios could indicate that a performance improvement plan is necessary.



Using additional diagnostic tools such as our Performance Analysis Map, managers can help employees unlock performance constraints, which will help employees reach their performance goals and increase their incentive opportunities.

Performance Analysis Map





Total System Administration & Support

ADI generates all performance reports, including the performance scorecards, measure trend graphs for each measure, and the performance pay calculations for every employee.

Throughout each month, clients continue to receive follow-up consulting support for troubleshooting measurement issues, addressing improvement opportunities, and redesigning performance scorecards as needed.

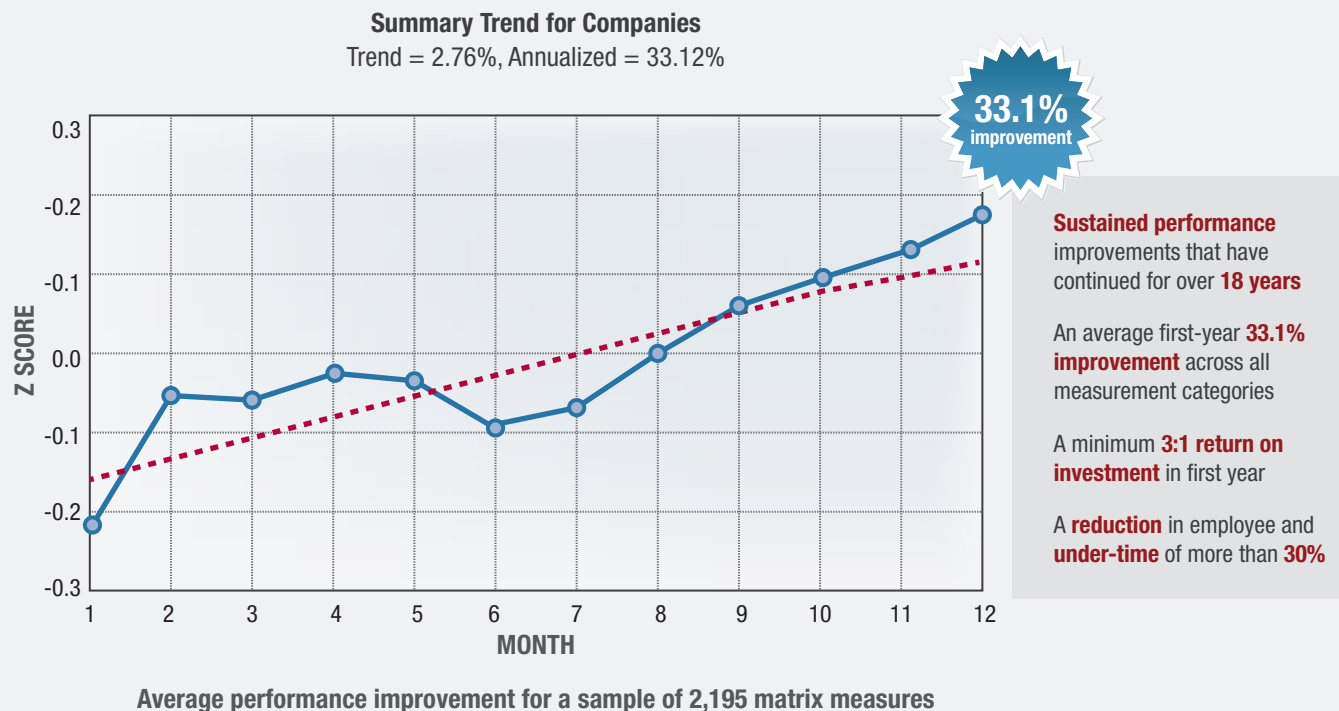
This ongoing follow-up support is a critical implementation component that sustains the integrity of the system and facilitates the analysis and use of the performance data to drive performance improvements.

In addition to providing monthly support, ADI also conducts semi-annual audits on the client's system to ensure and maintain the integrity of the system. The audit evaluates the validity of performance measures and goals, identifies high-value performance improvement opportunities, and reviews performance-pay return on investment and payout fairness.



Client Results

Within the first year of implementation, our clients have seen significant improvements across all seven of the key profit driver categories, including: sales, expense control, productivity, customer service, and regulatory compliance. Through the effective and consistent use of the monthly performance matrix, employees and managers are empowered to improve performance in key strategic areas, which improves the company's bottom-line and increases incentive pay opportunities. Regardless of industry or company size, the implementation of ADI's performance measurement and incentive pay system will help your company achieve high and sustainable rates of success for years to come.





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Bringing Out the Best®

Regardless of your industry or expertise, one thing remains constant: People power your business. Since 1978 Aubrey Daniels International (ADI) has been dedicated to accelerating the business and safety performance of companies worldwide by using positive, practical approaches grounded in the science of behavior and engineered to ensure long-term sustainability. ADI provides clients with the tools and methodologies to help move people toward positive, results-driven accomplishments. Our clients accelerate strategy execution while fostering employee engagement and positive accountability at all levels of their organization.