



Workstream | Rewards

Leveraging Technology to Improve Incentive
and Recognition Programs



Performance and Productivity: The People Connection

In today's economy, people performance is everything. It is what distinguishes and differentiates top performing companies. It's not just marketing spin when corporations embrace people-oriented campaigns, such as "The Power of People," "Your Most Strategic Asset" and "It's the people." Businesses are spending millions of dollars to establish, market and support improved human capital management strategies for one compelling reason: Satisfied, motivated and dedicated individuals, teams and partners are increasingly critical to business performance and corporate success.

The message is spreading. According to The Wall Street Journal, "A growing number of employers suspect improving employee satisfaction will have an indirect but important effect on profit. Management must know its people and work continuously to monitor and modify processes to achieve their satisfaction."

It's no wonder corporations worldwide are scrambling to find effective ways to not only attract and keep the best talent, but also to elevate their performance productivity and service levels to new heights. Embodied in this quest is the ability to align individual behaviors with strategic corporate objectives. And, importantly, to motivate and reward those who meet or exceed these objectives.

In today's market, organizations are trying to do more with less and achieve maximum return on investment (ROI) in their people — all part of a concerted, strategic effort to boost corporate performance. Most companies focus on improving productivity and service levels with their own employees first, but wise companies know that their attention must also include the other stakeholders in their corporate success – dealers, distributors, vendors and customers.

Great Customer Service Equals Happy Customers

The average business loses between 10% and 30% of its customers each year. As such, it is imperative that organizations focus on improving customer service because it can have a dramatic impact on the bottom line. For example, organizations that retain just 5% more of their customers will increase profits by 100%.^{1[1]} Additionally, on average, satisfied customers tell five people about their experience compared with the nine people who hear about a negative experience. Accordingly, satisfied customers help build brand integrity and corporate trust, and the most effective way to satisfy customers is to make certain that they are served by satisfied and engaged employees.

^{1[1]} Reichheld, F., and Sasser, W. (1990). *Zero Defections: Quality Comes to Service*. Harvard Business Review found that organizations, where employees have above average attitudes toward their work (that is, high employee satisfaction), have: 38% higher customer satisfaction scores, 22% higher productivity and 27% higher profits.

Regardless of profession or title, work history or aspirations, the most satisfied employees are those who feel their unique skills and talents are recognized, valued and utilized. Those companies that encourage, enable and reward high performance tend to get more of it. It's a virtuous circle, and increasingly, it's a compelling corporate differentiator.

A New Generation of Solutions

Where traditional human resource-based approaches to human capital management fail to align corporate goals with individual behaviors, a new generation of incentive and recognition solutions is leading the charge toward improved employee and corporate performance. These complete, enterprise solutions offer a myriad of advantages and capabilities compared with traditional incentive and recognition programs. They are designed to consistently reward behaviors that are aligned to corporate goals. And, they are rooted in technology and can, accordingly, change at "Internet Speed" to keep up with the fast paced changes of today's organizations and economy.

These next-generation reward programs are becoming an industry standard among companies consistently ranked as the most financially successful and most admired. It's no wonder, since companies placing employees at the core of their plans produce higher long-term returns to shareholders than do their industry peers. In fact, a Gallup survey

Arguably the most critical aspect of these next-generation recognition and incentive programs involves their ability to align strategic business objectives with the people who will execute on that strategy. A successful recognition and incentive program is designed specifically to support organizational alignment — driving both performance and productivity. They do this by creating a link between the overall goal and individual contribution. People want to be successful and want to be players on a successful team. Accordingly, they need to clearly understand their role in achieving the success. Thus, organizations can build and sustain an organizational culture that rewards top performance by consistently measuring desired behaviors and reinforcing performance that achieves desired results. The new generation of online recognition and incentive programs not only support organizational alignment, but also provide critical enterprise advantages:

Spur Ongoing, Enterprise-wide Communication

Effective, engaging and informative communication is at the center of all successful recognition and incentive programs. By leveraging the universal accessibility of online communications technologies — email, Web sites and more — today's best incentive and recognition solutions communicate with all program constituents in a voice they will not only hear, but also listen to. Program communication costs drop substantially in an online program, allowing companies to build better relationships with more frequent, more robust and more effectively targeted messages. Communicating becomes more flexible, enabling program administrators to quickly convey evolving program information or change programs to adapt to a changing business climate

Ongoing communication of program objectives, successes and milestones are critical to overall program effectiveness. Online recognition and incentive solutions communicate with participants throughout the cycle — from program launch all the way to award selection and delivery — ensuring tight correlation between behaviors and incentives. Incorporating reference content relevant to the program, training tips and quizzes provides a cost effective training vehicle built right into the program. The speed at which participants receive information also gives the program a sense of immediacy and helps to keep it fresh. Through ongoing communication, companies can affect lasting change, aligning their organization into one culture behind a cohesive vision.

Measure, Track and Analyze

What is the yardstick for program success? Reduced turnover? Improved service? Lower accounts receivables? Increased sales? Reduced costs? What is the minimum acceptable goal level? What is the expected goal level? What is the best-case goal level? Today's incentive and recognition programs will measure organizational progress along the way. Through real-time transaction processing of all program components and online reports, organizations can begin to measure their programs' ROI when it matters – in real time. This feature is one of the most important benefits of migrating a program online.

By running programs online, invaluable feedback from measurement, tracking and analysis can be immediately incorporated into the program design for maximum impact, and corrections can be made along the way, rather than waiting until the program ends to see the result. Data can be sorted and reported by any of the program elements – business unit, product line, geographic region, individual person etc. With this level of granularity, it's easy to see where the program is working well and where more attention or additional training is needed. Management receives information that's timely and accurate and program administrators can share the successes of a thriving group with those who are struggling to help raise the overall performance of the program.

The insights gained by the real time view of all program components provides a genuine opportunity for more successful incentive and recognition program results, and also for program data to provide strategic business information that can be useful beyond the boundaries of the incentive program. For example, if sales results of a new product are exceeding expectations, manufacturers can be notified immediately to increase production and avoid disappointing new customers.

Leverage Universal Accessibility

As business becomes increasingly fragmented and global, companies need a way to easily and quickly reach their professional staffs — anywhere, everywhere, 24 x 7. The Internet and corporate intranets provide this access allowing companies to not only easily launch and run online incentive and recognition programs, but also to centrally monitor and manage them.

Streamline and Automate Processes, Lower Costs

Conceiving, running, managing and monitoring incentive and recognition programs can severely tax already over-burdened Human Resources, Sales and Marketing staffs — significantly affecting ROI on such programs. The best recognition and incentive solutions automate each step: design, communication, analysis and administration. Streamlining these processes dramatically reduces costs while increasing program effectiveness.

An online program incorporates the same elements and rules as any traditional incentive or recognition program — the critical difference is the speed and efficiency at which these elements are handled. Although the traditional elements of program design, copy writing, design layout, and legal review remain the same, execution is accelerated by doing away with the layout and print phases. Further time is stripped from the process when copy and graphics needing approval are emailed back and forth between parties rather than being mailed or sent via messenger. Cost savings are realized because the process takes less time and administration effort.

Further efficiencies — and cost savings — are realized when technology is leveraged in the award redemption process. Program participants can receive instant gratification for a job well done by receiving their award within moments of it being earned. They can immediately begin to shop for their award, and delivery will be expedited because award redemptions can be instantly routed directly to the fulfillment warehouse. Participants will have a greater sense of control, and calls to program administrators will be reduced when participants are offered the ability to track the shipment of their awards through the delivery process, which is available with most online program applications. These same systems often seamlessly share information with enterprise Human Resources systems to make exchanging, updating and tracking information much more efficient.

Offer Reward and Recognition Parity

Complex psychological theories and business process strategies stand behind successful recognition and incentive programs. Clearly, one of the issues most important to overall campaign success is the belief by participants that programs are fair and treatment is equal. Today's online solutions can easily provide reward and recognition parity — ensuring recognition programs are consistent across all divisions and all departments. The enhanced communication capabilities further reinforce how and why awards are earned, eliminating confusion or misperceptions about fairness.

Real time access to their program account history also provides participants with peace of mind and frequently ignites the competitive spirit between teammates. Today's online programs have sophisticated award tracking and individual account management capabilities. Participants can see a complete listing of all the awards or points deposited into their accounts, as well as a listing of all their redemptions. Scoreboards can be set up to display results in a myriad of ways – within or between business units, by product line or geographic territory, progress to goal etc. Complex hierarchies can be established for viewing metrics to insure that appropriate corporate guidelines for access to different levels of information can be securely accommodated.

Award Flexibility

With online programs, companies can customize award offerings for specific audiences and in many cases, different geographical locations around the world. It's critical that program participants not only attach high emotional value to the rewards offered, but also feel the rewards are appropriate for the actions or performance being recognized. Online solutions offer extraordinary flexibility, enabling reward programs to be structured in a variety of ways: Managers can motivate and reward their direct reports and/or employees can recognize one another with peer-to-peer rewards.

Customized global award catalogs are allowing more companies to expand their incentive and recognition programs across borders, and the unique geo-centric assortments offered in the local language are engaging program participants in ways that were simply too cost prohibitive with a paper-based program.

Extensibility

The introduction of technology into the incentive and recognition marketplace has accelerated program launch and implementation cycles – what used to take months to set up, often takes only weeks now. Besides the inevitable expense reductions resulting from a compressed implementation process, companies can now feasibly entertain and execute programs addressing almost immediate business needs, as well as programs of shorter duration. This has important implications for time

sensitive programs, such as those geared to launching a new product or clearing old inventory quickly. New programs can be added quickly and inexpensively to address an emerging business situation or target a unique market segment or audience.

Additionally, most incentive and recognition technology available today is built with expansion firmly in mind. Programs are capable of easily adding large, new participant groups to existing databases, or running numerous programs of different types and durations simultaneously. It's not uncommon to have an annual President's Club sales incentive program running in conjunction with several different quarterly sales initiatives, and an on-the-spot performance recognition program. Once a technology platform is in place, additional features and functionality are relatively easy to add without incurring many of the initial start-up costs of a brand new program. Where appropriate, multiple programs can share a single database, eliminating the need for redundant data entry.

Choosing the Right Partner and Solution

Human capital management promises to generate extraordinary returns for companies that effectively invest in it. As with any new and emerging sector, questions abound about how to evaluate competitive offerings and measure expected returns. Following are the top questions you should consider when evaluating online recognition and incentive solutions and the companies behind them:

1. Does your prospective vendor offer a true end-to-end solution — one that includes the necessary tools, technologies, market-specific knowledge and customer care necessary to launch, monitor and manage your program?
2. Program design is critical. Does your program partner have a successful track record, expertise, industry knowledge and a support infrastructure to design programs that boost corporate performance?
3. Does your program provider offer a comprehensive communications plan where program goals, milestones and achievements are regularly shared via a variety of communication vehicles and program awareness is sustained through ongoing tracking and reinforcement?
4. Has the solution been designed from the ground up to leverage the Internet and today's latest technologies or is it an older offering that's been shoehorned to fit today's IT-enabled enterprise? Importantly, does the vendor have both technology expertise and a successful track record?
5. How long will it take to get your incentive and/or recognition program up and running? And, how long will it take to make the inevitable program enhancements required to ensure alignment of your goals with employee performance?
6. How much time, energy, effort and resources will be required to manage and administer your program? For example, can you centrally coordinate all initiatives, such as tracking participation and fulfilling goals? Is there a high-quality customer care organization to back you up when you have questions or need assistance?

7. What are the caliber, quality and flexibility of rewards offered? How quickly can you refresh catalog items to reflect the changing demographics or desires of your audience?
8. Can your program managers and participants check performance on a regular basis so that managers can reward outstanding behavior and program participants have a way to compare and assess their performance real-time?
9. Does the offering enable you to move beyond departmental, fragmented initiatives to manage performance from the enterprise level? For example, will you be able to support, monitor and drive the entire life cycle of your program — from setting goals to ongoing communication, providing rewards to measurement and tracking?
10. What is the quality of online and off-line reporting, analysis, measurement and tracking tools? Can your business performance provider help you evaluate potential ROI and demonstrate similar returns from companies like yours?

New Solutions for the New Economy

The good news for corporations is that the best new incentive and recognition solutions meet both the practical and strategic requirements behind driving up employee performance. According to an Aberdeen Group white paper, *Driving Employee Performance, Loyalty, and Enterprise Profitability*, “The best companies in this niche develop programs that address each client firm’s specific performance issues. Aberdeen recommends reward and loyalty program suppliers that:

- Understand the client’s business before making recommendations;
- Develop programs to achieve specific results in a specific time, using strategies tailored to the situation;
- Present a complete solution: and
- Provide administrative services online.”

Companies can still take advantage of the many benefits of an online program if all their program constituents don’t have access to the Internet. Most online program providers offer hybrid programs that leverage technology wherever possible and offer a paperbased solution for those participants who need it. As the Internet continues to grow in popularity, the need for off-line solutions will continue to diminish. In the meantime, an easier, measurable, more effective and less expensive online incentive and recognition solution is available and well worth the investment.



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