

ONCE TREATED AS LITTLE MORE THAN “FREEBIES” WITH NO MEASURABLE IMPACT ON A COMPANY’S BOTTOM LINE, EMPLOYEE INCENTIVES ARE NOW INCREASINGLY REGARDED AS “MUST-HAVE” PROGRAMS, STRATEGIC BUSINESS TOOLS WITH THE POWER TO IMPROVE PRODUCTIVITY AND PROFITS, AND ESPECIALLY EFFECTIVE IN DEALING WITH A SOFT ECONOMY. THE BIG DIFFERENCE IS THAT NOW THE ROI POWER OF INCENTIVES CAN BE MEASURED, AND IT IS SUPERB.

BY JOE ANGIONE



ILLUSTRATION BY YVES HUGHES

Incentives: Strategic Business Tools

Two thousand years ago, Roman commanders beat their galley slaves to make them row faster, and decimated their legions to boost soldiers' resolve to fight for Caesar. Rome's performance incentives were grounded in fear and brutality.

In the twentieth century, the concept of incentives has progressed from “whippings” to rewards. But those who were rewarded through incentives were traditionally working for *Fortune* 500 companies. Until recently, across vast stretches of corporate America, the reward for outstanding performance was that you got to keep your job.

“It wasn't only cost that kept incentive programs from being embraced by smaller companies, it was equally the fact that there were no cost-effective means for gathering and analyzing data that could document performance to top management,” reports Michelle M. Smith, Vice President of Strategic Sales for Bravanta Inc., a leading full-service incentive house headquartered in San Francisco. “And in bad economic times, programs for which there were no metrics were considered highly discretionary and often cut by management.”

In the twenty-first century, employee incen-

tive and recognition programs are gaining new life in online applications that enable users to buy into cost-efficient, Internet-based solutions that measure the return companies are getting for every dollar they invest in motivation programs. Welcome to the age of the ROI-based incentive program. You'll love it.

TECHNOLOGY TO THE RESCUE

“In the last ten years, new Internet technology has helped significantly lower the barriers to incentive programs for all companies, large and small,” says Smith. Although Bravanta will work with clients in both online and

offline environments, she urges that, to get the best of all worlds, online is the way to go. "It allows awards catalogs to be Web accessible and updated often, and without incurring expensive printing charges to issue and reissue paper catalogs. The Internet instantly communicates incentive program rules and awards information to all points in the company, giving employees immediate access to progress reports, point totals, awards choices and redemption procedures. In fact, all of the information input into an online incentive program is tracked, monitored and measured 24/7, which helps strip out much of the time and labor expense usually associated with managing traditional programs. Equally important, an online solution delivers quantifiable results for management to use in determining return on investment."

At Rideau Inc., another leading full-service incentive house with offices in Montreal and Champlain, NY, President Peter Hart adds to the growing argument for adopting outsourced, customized incentive programs. Like Bravanta, his company will create both online and offline programs for clients. "You'll probably never get everyone to go online," notes Hart. "Some just love to have that printed catalog at their fingertips, but more important than that is the need for companies to outsource their incentives programs."

Rideau has been part of the incentives industry since 1912, first as an awards manufacturer, distributor and marketer, and now as a packager of customized one-of-a-kind programs. "Business is great," says Hart. "But the question for the future is: How many companies will put their incentive programs in the hands of outsourcers? One thing is sure: Most companies don't know how to do a program internally, particularly if it's one that is committed to delivering a return on investment. A full-service outsourcer offers a unique perspective on the incentives business. It has worked with a lot of companies and learned from past mistakes. It simplifies the coordination that must be done with many different merchandise vendors. It guides the client's choices. An outsourcer has also done the research and developed the expertise to create best practices. Most clients don't have this, and they can't create it themselves."

When a new client comes on board at Rideau, its investment in new technology gives that client the benefit of a team of 25 designers who write code for a wide range of incentive and recognition programs.

Because of the turmoil in most markets today, more companies than ever are looking inward and questioning the things they do for themselves. They're asking: What is our core business, and should we be doing anything else? Hart cites the case of the General Motors Corporation, who not too long ago ran the largest travel department in the world. But then, the company began to question what business it was really in. "Are we in the travel business, or is our business to make automobiles?" Questions like this are changing how companies view their strategic mission and the functions that should remain within the company.

THE MOVEMENT TO ROI

A business program without a clearly defined link to ROI is like a ship without a rudder. It's headed for the rocks. And after two years of a sinking, lurching economy, the need for ROI has been sharply etched in the minds of intelligent business people.

Why invest in an incentive and recognition program? "The answer is simple," says Bravanta's Smith: "To change any result for the better." Rideau's Hart focuses his answer directly on people, human capital: "Optimize people, optimize performance, optimize profits."

"Effective reward, recognition and incentive programs enable companies to tie spending to the achievement of specific business units and organizational goals. As a result, we feel that organizations have another powerful tool to utilize," reports Michael Dermer, President and CEO of 1 800 GIFT CERTIFICATE, a New York City-based company that provides reward, recognition and incentive solutions using the flexibility of gift certificates.

There is virtually no mission objective that will not respond to the impact of a well-planned and implemented incentive program. "Today's most popular incentive programs are directed toward improving productivity, reducing absenteeism and employee turnover, boosting safety con-

sciousness to lower OSHA penalties, and toward employee wellness to better control health-insurance costs," adds Smith.

Bravanta, who pioneered the application of Internet technology to incentive programs, conducts ongoing research into how effective these programs are in building ROI. According to a recent presentation developed by Smith's office, the use of recognition and incentives programs grew 17 percent from 1997 to 2001. The total spent on these programs in 2001 was \$27 billion "The nation's soft economy during the last two years will have some impact on the latest growth figures (through 2003), but the upward trend should hold very well," Smith concludes. "It's easier now to implement incentive programs and their remarkable results are being well publicized."

Bravanta's presentation explains that companies who reward and recognize employees have four times the sales growth, three times the net income per employee, and two times the revenues of companies who don't motivate their employees. Recognition plus rewards equals performance. Eighty percent of employees who receive recognition and awards say it motivates them to improve job performance.

Bravanta notes that, over an 11-year period, companies investing in employee-incentive programs show:

- Net income increases of 756 percent (versus 1 percent for non-investing companies)
- Revenue increases of 682 percent (versus 199 percent for non-investors)
- Stock performance gains of 901 percent (versus 74 percent for non-investors)
- Almost 95 percent of incentive programs reach their goals
- Average ROI on sales incentive programs is 134 percent
- Average ROI on non-sales employee incentive programs is 200 percent

"Reward, recognition or incentive programs and the integration of these programs as part of 'incentive-based compensation' enable companies to use a result-oriented tool. The key is to define the value of the key business objectives and then to tie the reward, recognition or incentive program to those objectives," explains Dermer.

WORKING WITH AN INCENTIVE OUTsourCER

“Our clients can be as involved as they want to be in the administration of one of our online incentive programs,” observes Smith. “Or our programs can be as turn-key as they’d like them to be.” Smith describes a four-step process that takes the client from basic program objectives through implementation and the metrics that measure progress and determine ROI.

STEP ONE: Input & Assessment

This is where the client’s top-management team must be totally involved. The outsourcer and client teams meet to discuss the company’s mission, corporate goals, strengths and weaknesses, conditions that need to be changed, and the objectives an incentive program would work to achieve. It’s also the time when the potential client should be examining the outsourcer’s credentials: membership in an incentives trade association, record for success, references, ongoing education and training activities, industry

involvement, and corporate culture—are the client and outsourcer a good fit?

STEP TWO: Program Design

By this time, the outsourcer knows what its potential client needs to accomplish and has an idea of the budget that will support the program. This information is put into the hands of the outsourcer’s design staff, the architects who will develop an incentive program finely tuned to the client’s exact needs. The designers carefully ensure that all award items selected for the program match the tasks employees will have to accomplish and that the awards and tasks are consistent throughout the client’s organization.

STEP THREE: Communication

Once the client accepts the program, the next step is to communicate every aspect of it to employees everywhere in the organization. The Internet is the best way to do this so that all employees who are targeted for participation know exactly what the goals of the Incentive program are, what is required of

them, how to track their progress, and how to select and access awards.

STEP FOUR: Metrics for ROI

This is the heart of any incentive program. Without the proper metrics, no one will know if the program was worth the effort. Monitoring and measuring the program is essential so that necessary adjustments can be made to meet ROI projections. Metrics are also essential for the final evaluation that is presented to clients along with recommendations on how to improve similar programs the client might want to initiate in the future.

Incentive programs are highly compatible with the trend to outsource non-core business functions. Infrastructure costs are minimized—sometimes reduced by as much as 60 percent. Goals are attained that have a measurable impact on productivity and profits. Says, Rideau’s Hart: “If you’re sick you go to a physician; when you need to balance your books, you hire an accountant. Building good incentive programs can be as simple as going to the appropriate resource.” HRO

Top Incentive Outsourcing Houses

COMPANY NAME	ADDRESS	PHONE	WEB SITE
1 800 GIFT CERTIFICATE	400 Patterson Plank Road, Carlstadt, NJ 07072	800-847-0863	www.800giftcertificate.com
Provides an array of incentive programs and solutions for companies looking to inspire and motivate employees.			
American Express Incentive Services	1309 North Highway Drive, Fenton, MO 63099	888-853-0162	www.aeis.com
American Express offers a range of incentive solutions and a browser-based management system for incentive programs.			
Bravanta Inc.	701 Gateway Blvd., Suite 230 South San Francisco, CA 94080	888-560-1999	www.bravanta.com
Bravanta helps clients build a sustainable, competitive workforce through unique enterprise incentive and recognition programs that recognize people as the drivers of business strategy.			
Carlson Marketing Group	3055 Kettering Blvd., Dayton, OH 45439	763-212-5000	www.carlson.com
This relationship marketing company services global <i>Fortune</i> 1000 clients, helping them improve sales and profits by designing marketing strategies that strengthen relationships with employees, distribution channel and consumers.			
EGR International Inc.	271 Madison Avenue, New York, NY 10016	212-949-7330	www.egrinternational.com
EGR is an innovative and highly creative performance-improvement firm serving <i>Fortune</i> 500 corporations for more than 30 years.			
HMI, Inc.	55 Providence Highway, U.S. Route 1 Norwood, MA 02060	800-343-4034	www.hmiaward.com
HMI offers a turn-key solution to assist clients in a wide range of sales objectives.			

FEATURE

COMPANY NAME	ADDRESS	PHONE	WEB SITE
The Incentive Group	399 Knollwood Road, White Plains, NY 10603	800-416-2090	www.incentivegroup.com
This is a full-service, performance improvement company skilled in working with dealers, distributors, employees and customers to win minds and market share.			
Inmarketing Group, Inc.	65 Ramapo Valley Road, Mahwah, NJ 07430	201-684-1596	www.inmarketing.net
This company combines incentive and Internet expertise to design and produce unique, customizable, database-driven solutions for incentive programs.			
Maritz Performance Improvement Company	1400 South Highway Drive, Fenton, MO 63099	877-462-7489	www.mpic.maritz.com
Maritz's primary business for more than 100 years is to help clients attain their business goals by improving the performance of people throughout their distribution channels.			
Marketing Innovators International	9701 West Higgins Road, Rosemont, IL 60018	800-543-7373	www.marketinginnovators.com
This full-service, people performance management company has a history of experience in the design and implementation of incentive programs.			
Motivation Excellence	125 West Central Road, Schaumburg, IL 60195	847-202-8400	www.meiweb.com
This firm offers complete incentive design, travel and merchandise programs featuring communications, administrative services (including Web-based), and ROI-oriented financial rationale through economic modeling.			
Regis Marketing Group, Inc.	5215 South Emmer Drive, New Berlin, WI 53151	262-754-8100	www.regismarketing.com
Regis offers premium sourcing and procurement, database marketing, program and sweepstakes administration, call-order processing, customer service, and complete fulfillment process.			
Rideau Inc.	473 Deslauriers Montreal, Quebec, Canada H4N 1W2	1-800-363-6464	www.rideau.com
Rideau's mission is to assist clients in optimizing their people, performance and profits through custom online and offline employee recognition and incentive programs.			
The Sales Performance Group	6425 Powers Ferry Road, Atlanta, GA 30339	800-853-3828	www.salesperformancegroup.com
This is a full-service incentive company, including online administration, reporting and order fulfillment.			
Salesdriver	6 Clock Tower Place, Maynard, MA 01754	877-213-7483	www.salesdriver.com
Providing automated incentive programs for sales and distribution channel managers, Salesdriver simplifies program development, communications and management.			
Summit Marketing	960 Maplewood Drive, Itasca, IL 60143	866-590-6000	www.summitmg.com
This fully integrated marketing services company provides recognition incentives and promotional programs nationally to corporations of all sizes.			
O.C. Tanner Inc.	1930 S. State Street, Salt Lake City, UT 84115	800-453-7490	www.octanner.com
O.C. Tanner is a provider of high-impact employee recognition solutions and has 75 years of experience working internationally with clients. They offer excellent program options, administrative services and flexibility in meeting a variety of outsourcing needs.			
USMotivation	7840 Roswell Road, Atlanta, GA 30350	770-290-4700	www.usmotivation.com
This is a full-service, people performance management company working with organizations across all industries to motivate employees, consumers and distributors.			

Sources: Incentive Marketing Association Directory and individual companies. For a complete list of the Association's members, visit www.incentivemarketing.org.