Incentive Research Foundation

Ten Things Top Performing Companies Do Differently

A White Paper on the *IRF Incentive Benchmarking Survey*

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In today's highly competitive economy, it is not surprising that businesses are seeking trusted new ways to differentiate themselves and sustain success. As major thought leaders and consultancies point repeatedly to human capital as the prime modern differentiator (even outstripping financial capital), it raises the question: *What are truly successful companies now doing differently regarding human capital investments?*

First, what is a top performing company? J.D. Powers provides the market's top customer-focused organizations; the *Fortune* 500 list shows top revenue-generating organizations; *Great Place to Work* highlights top employee-focused organizations.

In our recent *Incentive Benchmarking Survey*, "top performers" were required to excel in *all* of these categories. Aside from using non-cash rewards, top performing companies as defined by the latest research with Intellective Group needed to have four important characteristics:

5% Stock/Rev Growth

90% Customer Sat

90% Employee Sat

High Revenues: $100 million or more in revenue

Good Growth: Greater than 5% revenue growth or stock price growth

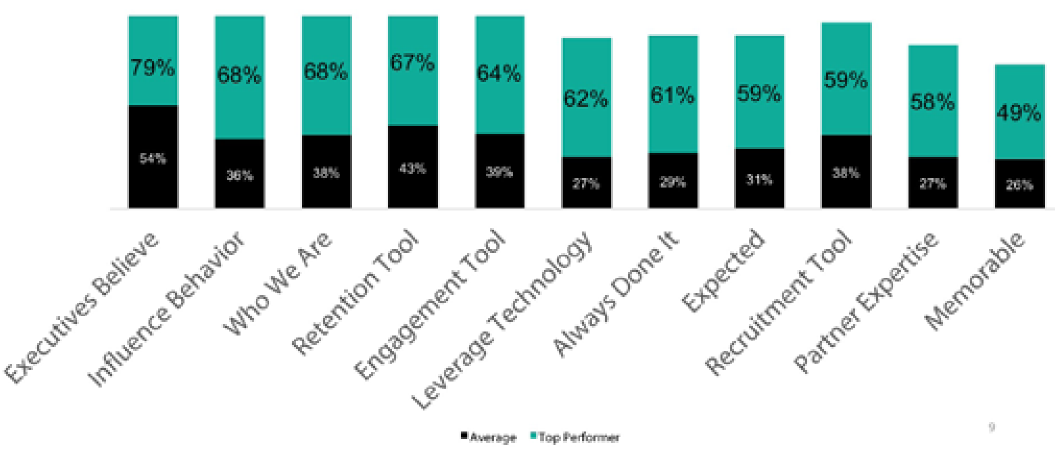
Excellent Customer Ratings: Greater than 90% customer retention *or* greater than 90% customer satisfaction and greater than 5% new customer acquisition rate

Excellent Employee Ratings: Greater than 90% employee satisfaction ratings *or* greater than 90% employee retention and less than 10% top performing employee turnover year over year

Of the over 900 companies reviewed, only just over 300 organizations made the cut. What do those companies do differently than all other businesses regarding non-cash rewards and recognition? Quite a bit, it turns out. Not only are top performing companies statistically much more likely to use their non-cash rewards and recognition programs to reward their sales people (90%), employees (88%) and channel partners (81%), they also think about, design, and support their programs differently than average-performing businesses. Below are ten distinctions:

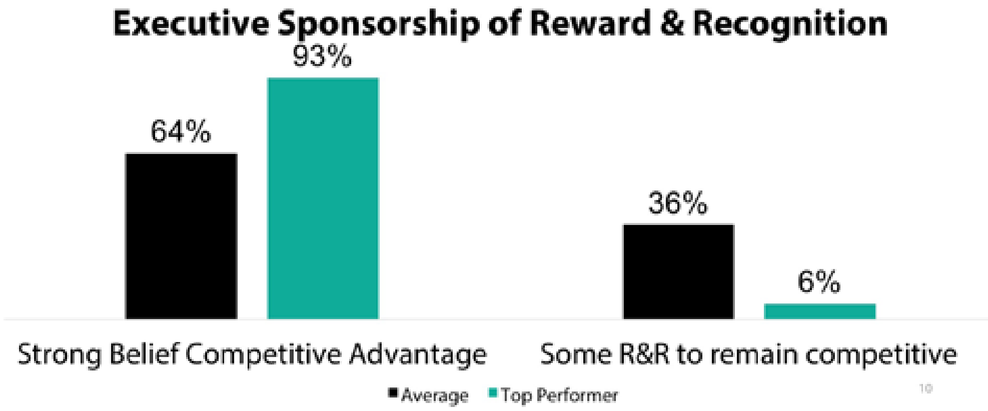
1. They Have a Stronger Belief in Non-Cash Rewards and Recognition

When asked about their attitudes toward non-cash rewards and recognition, respondents at top performing companies were—across eleven metrics—significantly more likely to strongly agree with the benefits of non-cash rewards. Notably, top performing companies were over 20% more likely to assert that their non-cash reward programs were effective recruitment, retention, and engagement tools. Top performing companies were also over 30% more likely to believe that their non-cash reward and recognition programs effectively influence behavior.



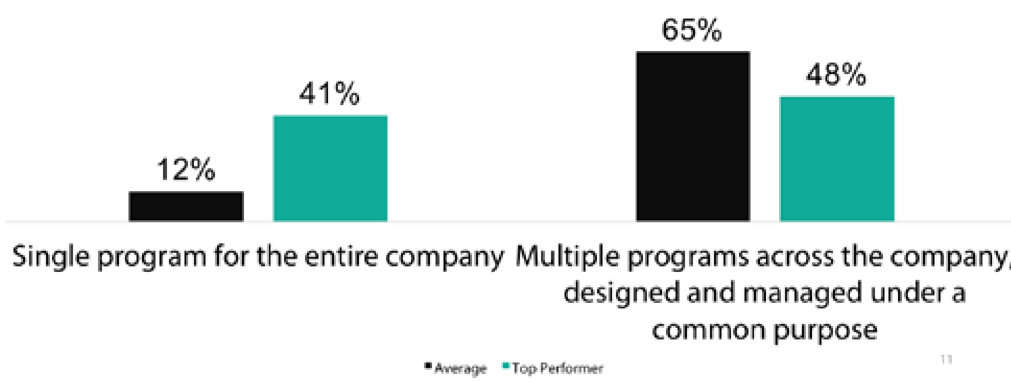
2. They Have Strong Executive Buy In for Non-Cash Rewards and Recognition

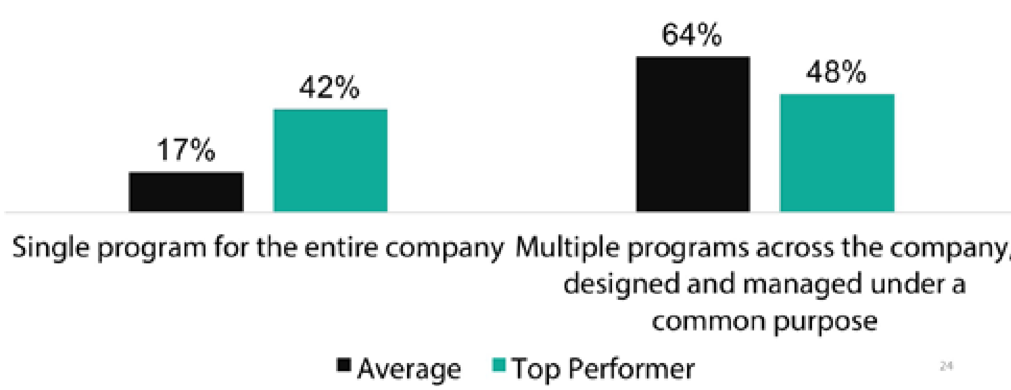
Perhaps the strongest differential between top performing and average businesses was the executives' belief in the value of these tools as differentiators. Respondents at top performing companies were 35% more likely than those at average companies to agree that their executives believe non-cash rewards and recognition are a critical tool in managing company performance. Likewise, the vast majority of top performing companies (93%) reported their executives are not just *willing* to carry out rewards and recognition to remain competitive, but are *strong supporters* of non-cash rewards and recognition as a competitive advantage for the organization. They showed a full 30% difference from average performing companies in this category.

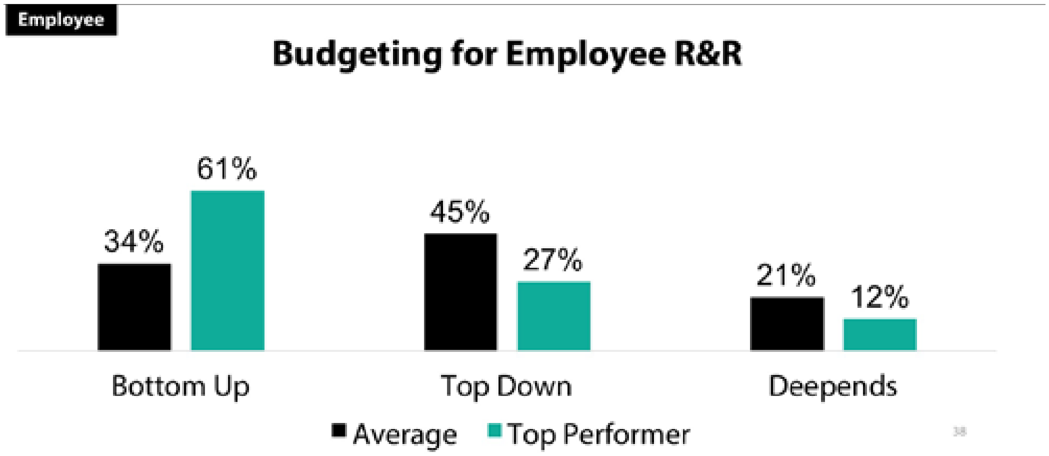


3. They Are More Likely to Consolidate Their Programs

Non-cash reward and recognition programs are run for many reasons to support a number of goals. In many instances, there are numerous programs being executed in a single organization at a given time. While many top performing companies (over 40%) said they had multiple programs running across the company which were designed and managed under a common purpose, top performing companies were significantly more likely to have a single program for their entire company. They were over three times more likely than average organizations to report that they had a single sales program, 2.5 times more likely to report that they had a single program for channel partners, and 2.5 times more likely to report that they had a single program for employees across the entire company.

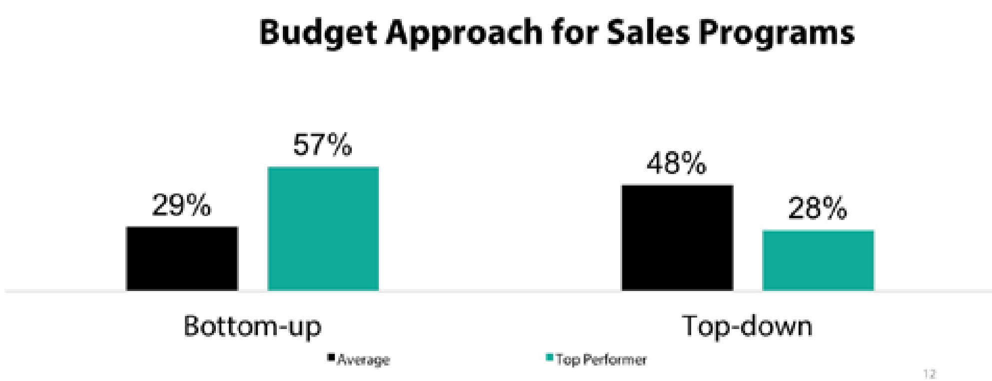


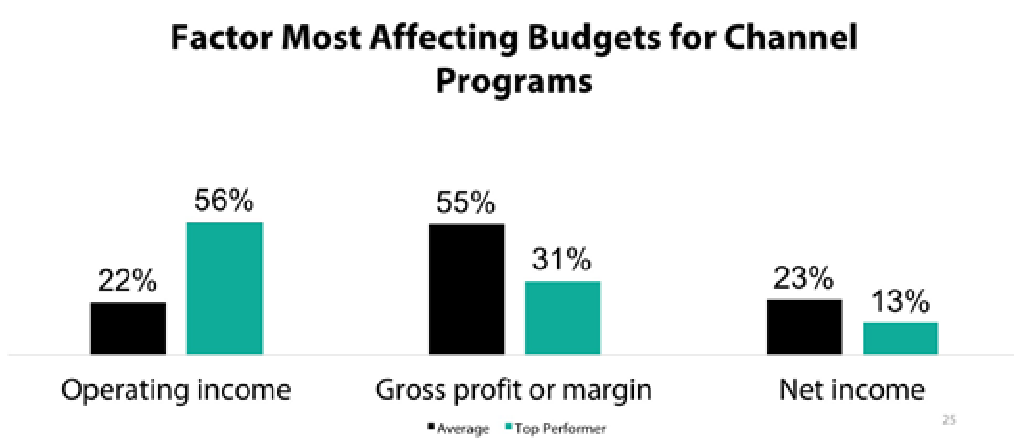


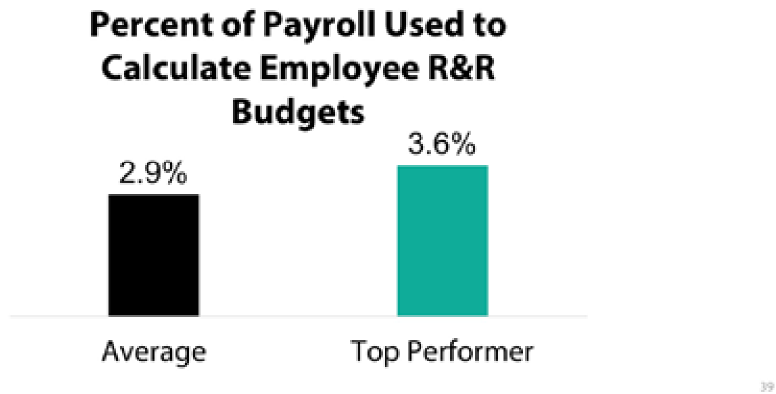


4. They Plan Their Budgets Bottom Up … Not Top Down

Top performers' commitment to non-cash reward programs is evident in their budgeting approach. While it would be safe to assume that budgeting is most often done top-down (with executives determining the budget based on prior year spending and overall financial performance), this is not often true for top performers. Regardless of program types, more than half of respondents from top performing companies said their organizations calculate their budgets bottom-up (based on income, using a percentage of anticipated sales income, product/operating income, or employee income to calculate their budgets). Across program types, top performers were twice as likely as average companies to use income-based budgeting.

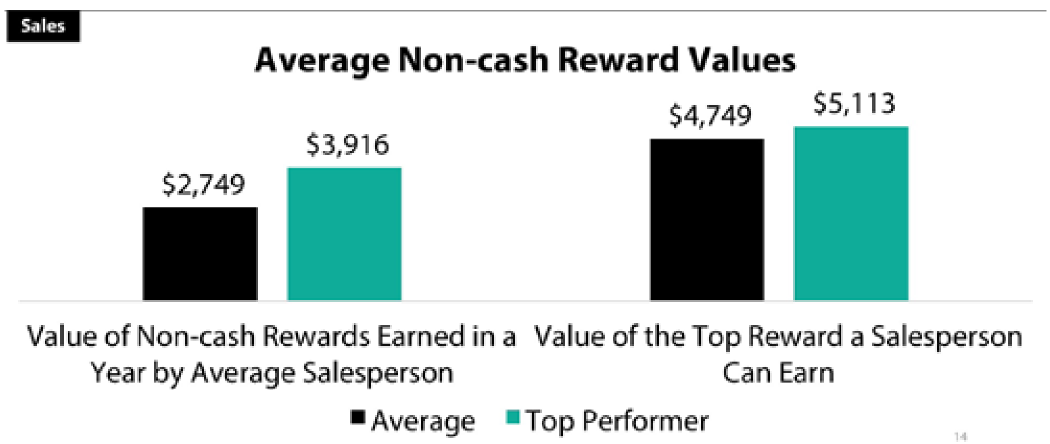


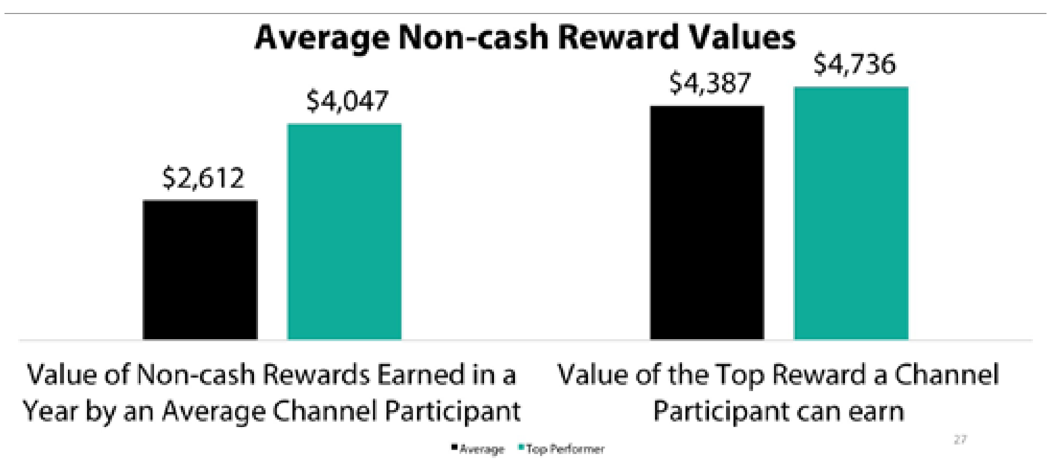


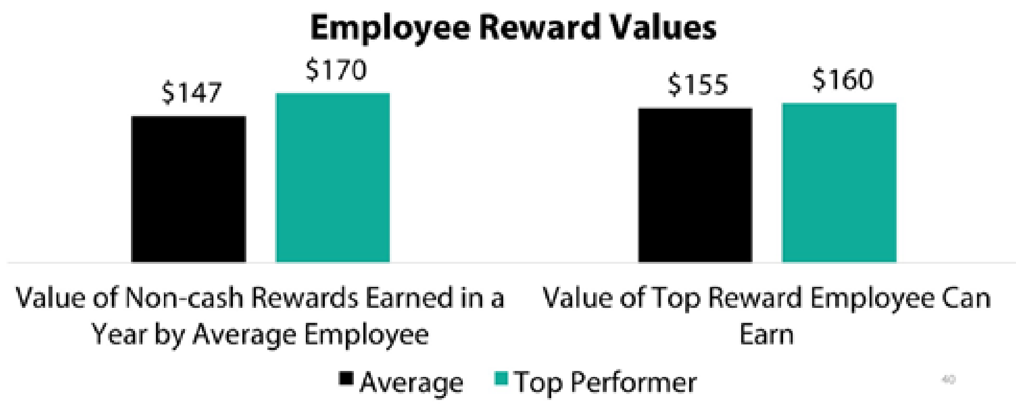


5. They Have Higher Payouts

Not surprising given the findings above, top performing companies have higher payouts in their programs than average companies do. The typical sales person in a top performing company can expect to earn $3,916 in non-cash rewards versus $2,749 in average companies. Participants in a channel program can generally anticipate earning over $4,000 in non-cash rewards from top performing companies and only $2,612 from average companies. Employees at a top performing company can expect to earn $170 in non-cash rewards annually, while those at average companies receive only $147.

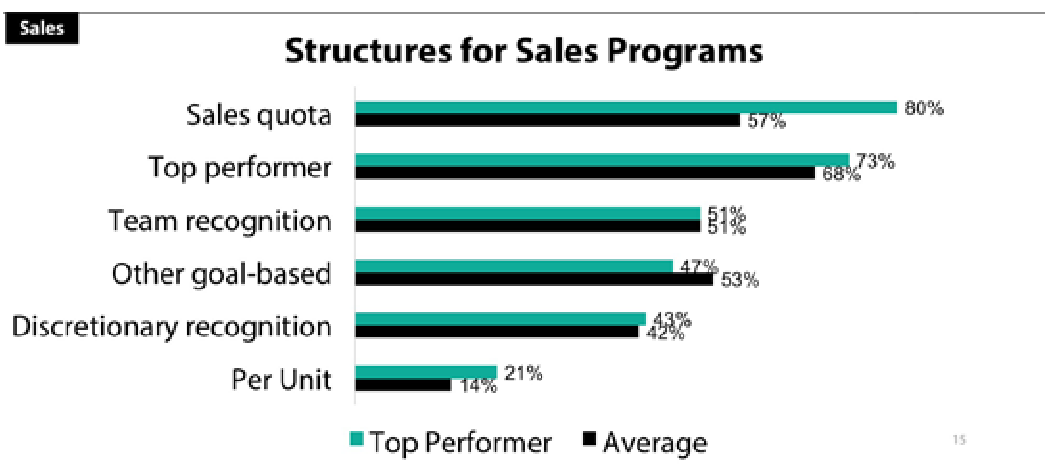


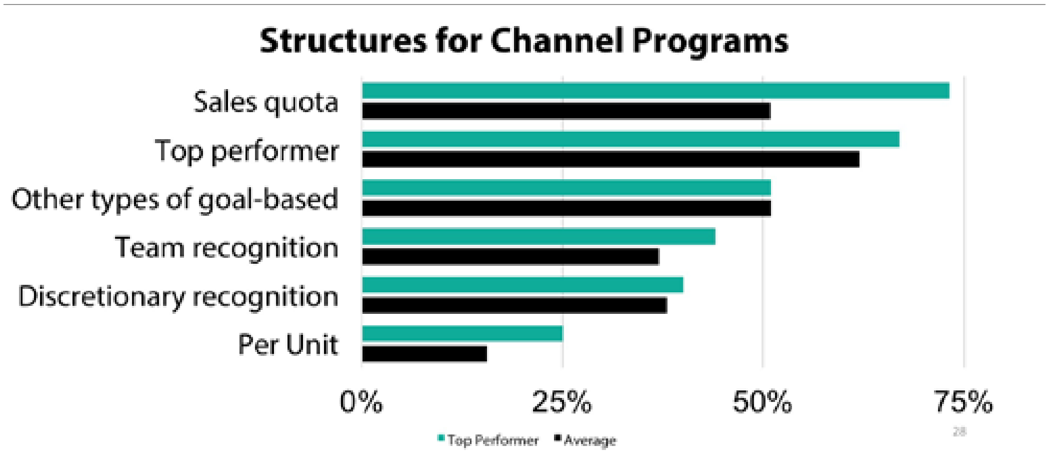


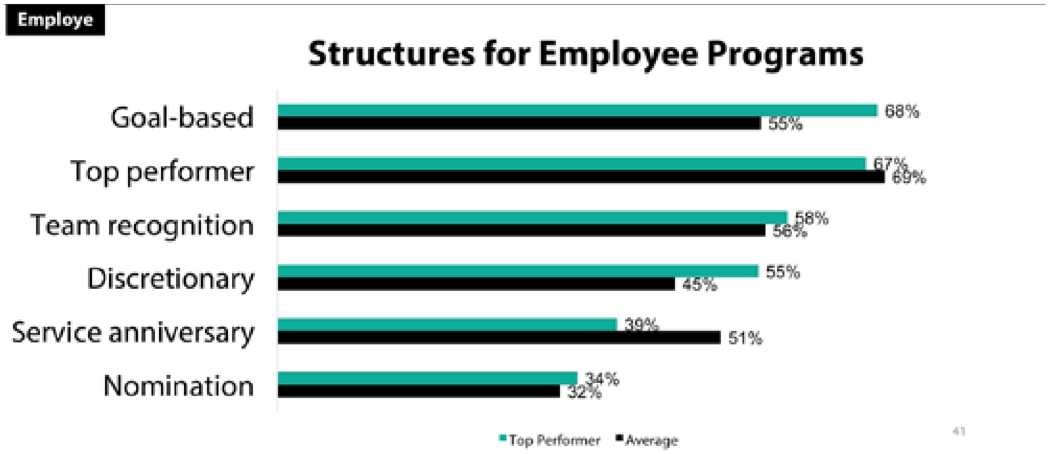


6. They Favor Goal-Focused Rules Structures

Across the board, top performing companies were more likely than average companies to favor goal-based structures in their programs. Only 57% of average performing companies used sales-based quota programs while 80% of top performing companies did. While 55% of average companies used goal-based programs for their employees, almost 70% of top performing companies did.

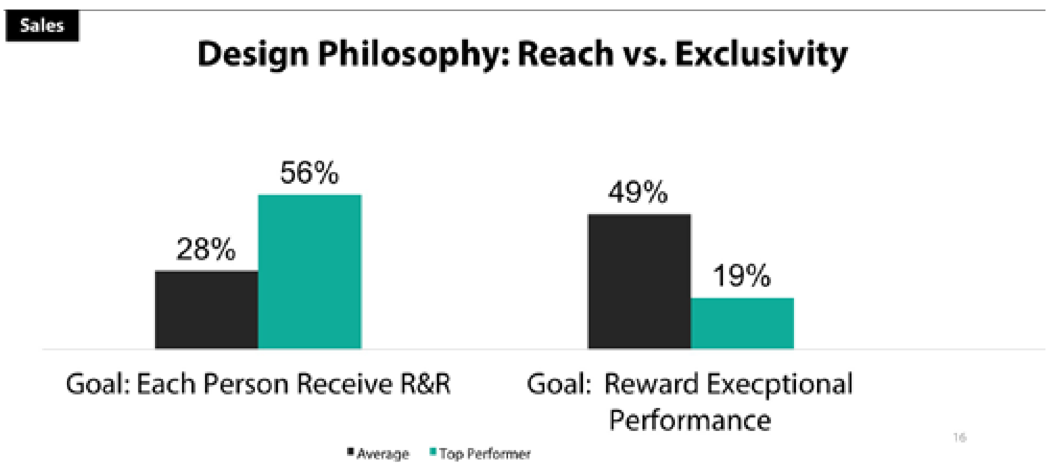


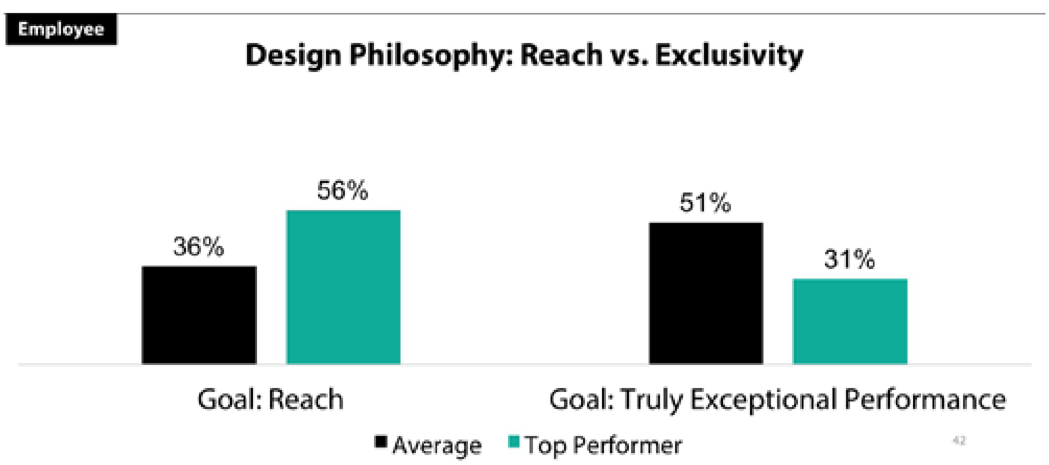




7. They Focus on Reach … Not Exclusivity

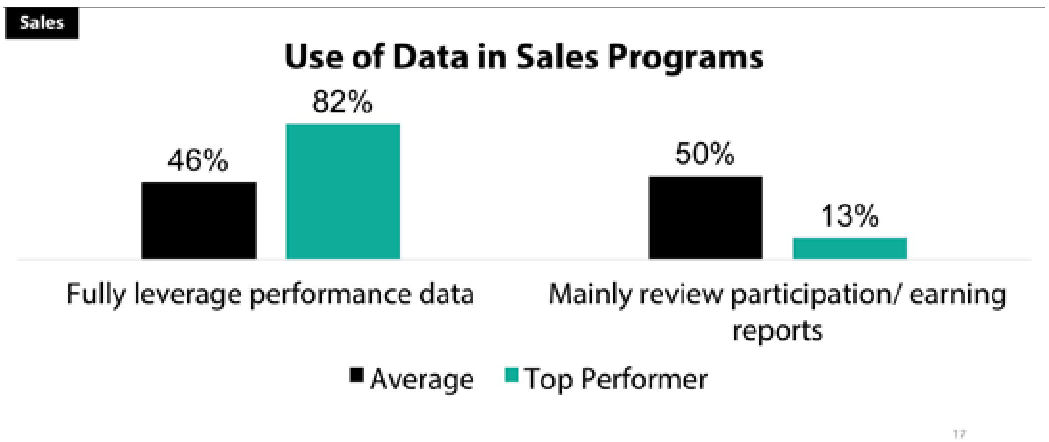
For many years, the focus on non-cash reward programs seemed to be on highlighting only the best of the best in the organization—the elite. That has changed in top performing companies. When asked whether their non-cash program design was structured with the goal of rewarding and recognizing the truly exceptional performers (exclusivity) *or* if it was structured with the goal of each participant receiving a recognition or reward in the program (reach), top performers were statistically more likely to say "reach" regardless of program type. While 56% of top performing companies said they prioritize reach for both employee and sales programs, only 36% and 28% of average companies said so respectively.

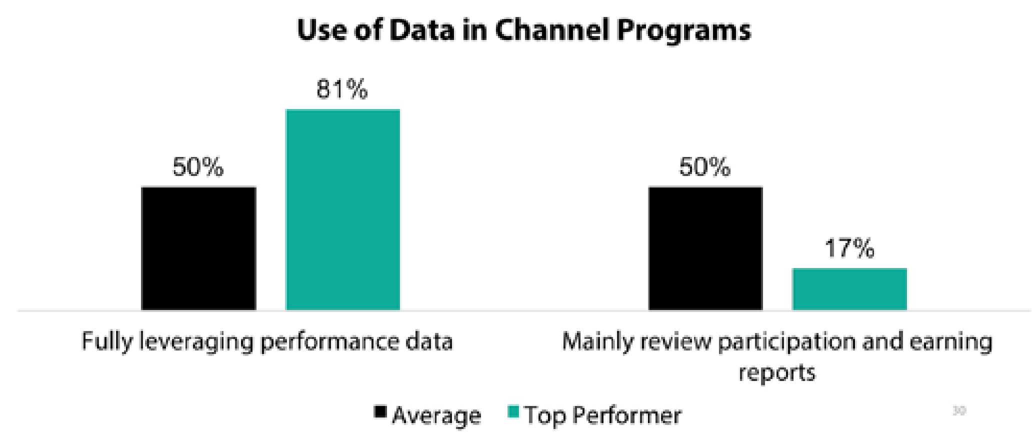


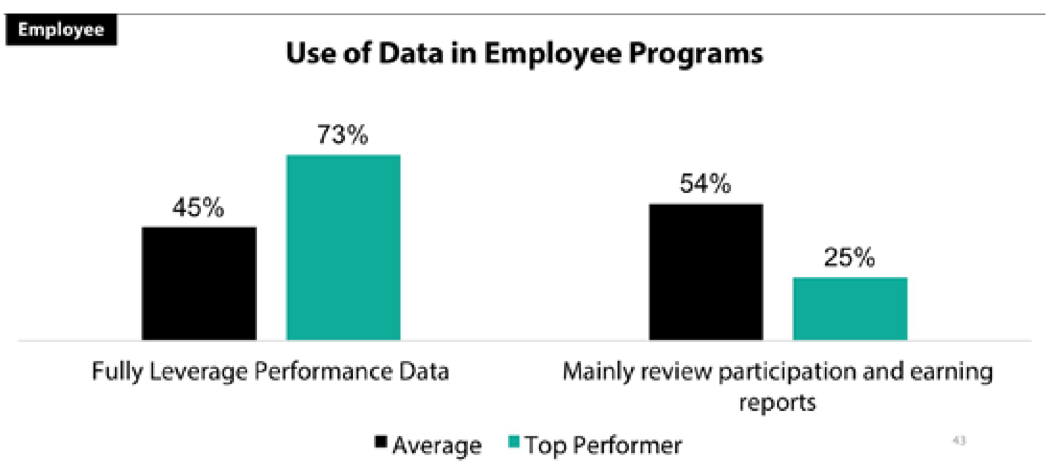


8. They Leverage Analytics

Top performing companies are more effectively moving beyond reporting to leveraging analytics. Over three-quarters of all respondents at top performing companies using non-cash reward and recognition programs—regardless of program type—said they were fully leveraging the performance data produced by their program using analysis and insights to guide decisions. Conversely, more than half of their averagely performing counterparts said they use some of the performance data—but mainly only through review of participation and earning reports to assess their non-cash reward and recognition programs.

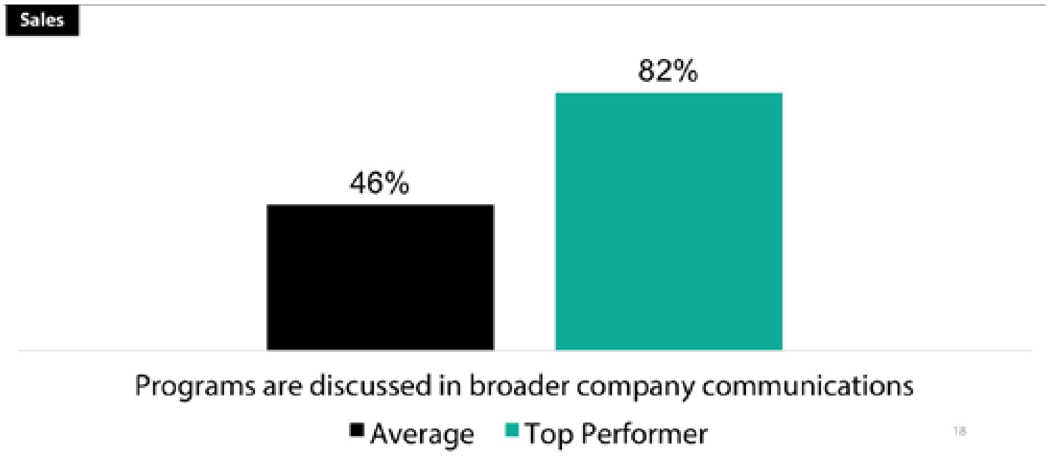


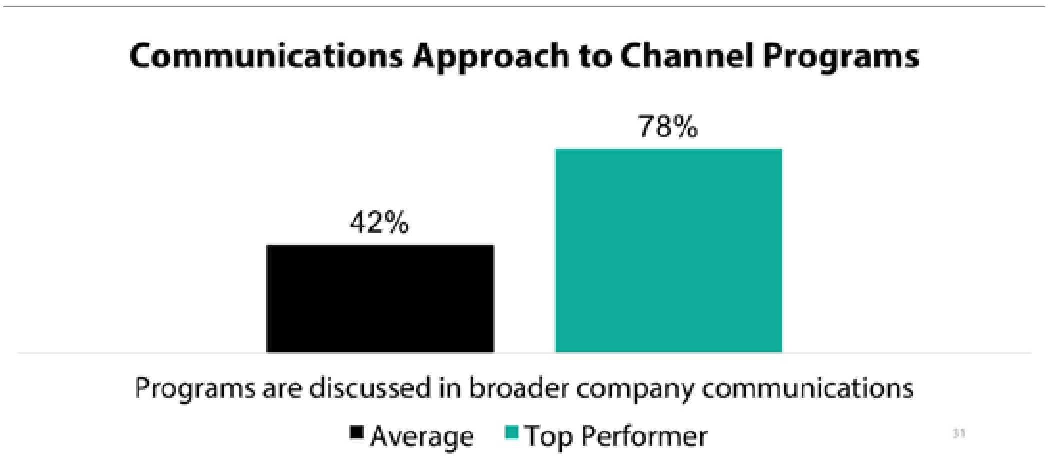


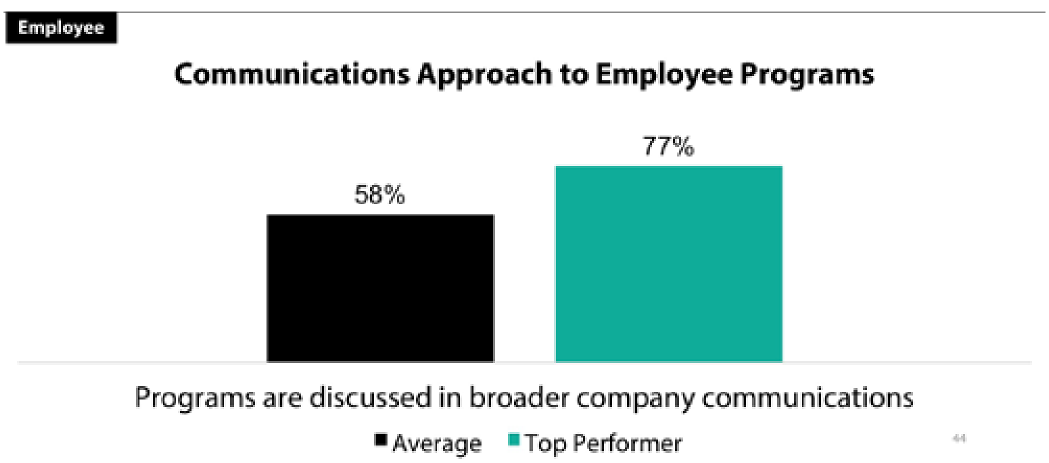


9. They Integrate Their Communications

Integrating the rewards and recognitions into broader organization communications is key for top performing companies: 77% with employee programs said their programs were integrated into broader company communications, 78% said likewise for channel programs, and over 80% said likewise for sales programs. Conversely, only roughly 45% of averagely performing companies reported that their rewards and recognition programs were discussed in broader company communications.



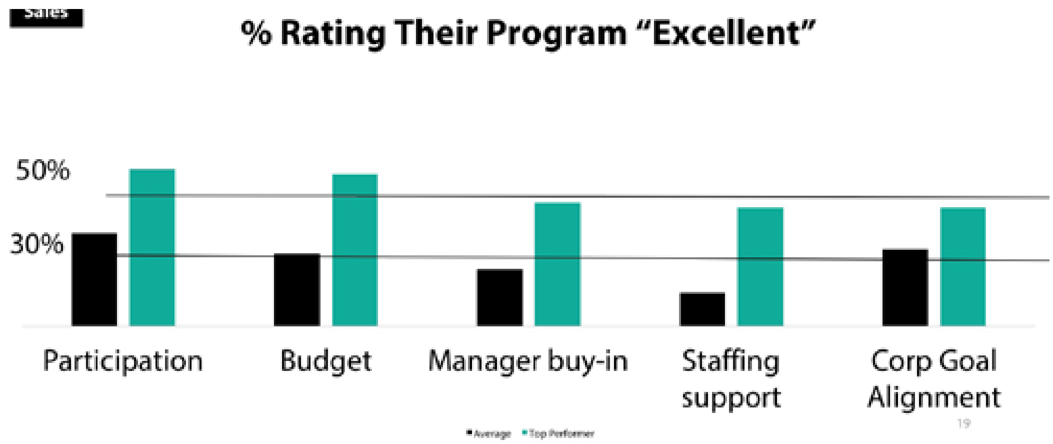


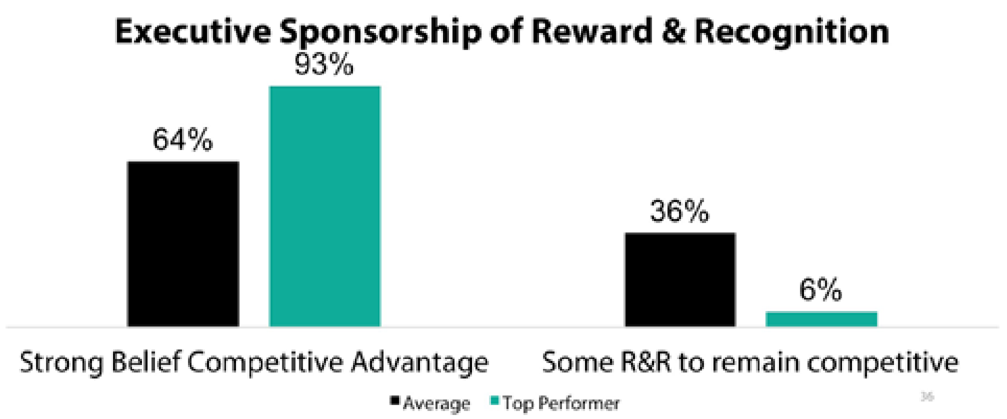


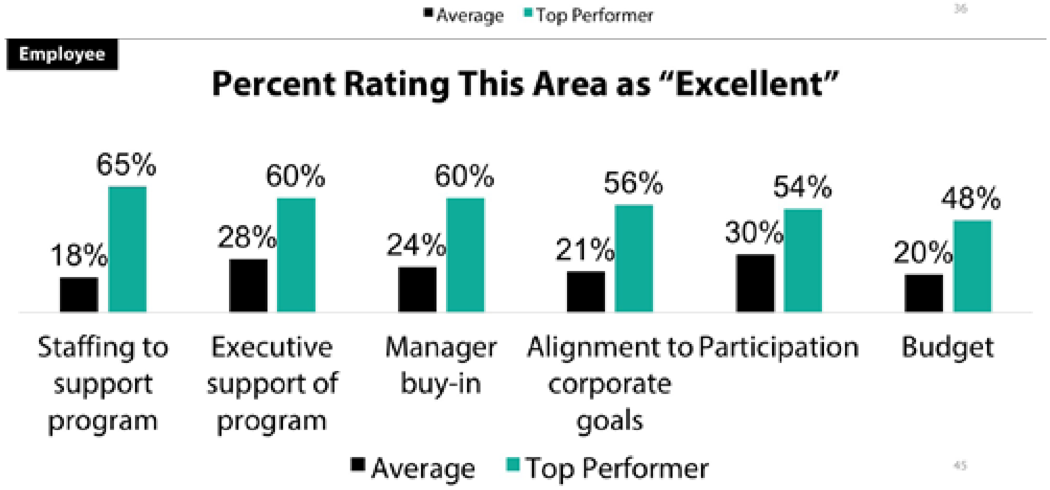
10. They Provide Excellent Support for Their Programs

And finally, not surprisingly, top performing companies are also statistically more likely to give their rewards and recognition programs a rating of "excellent" in the following categories:

- Participation
- Budget
- Manager buy in
- Staffing support
- And corporate goal alignment
- With roughly 50% or more agreeing their companies are excellent in these areas.







To download a copy of the full study: *IRF Incentive Benchmarking Survey*, **please visit http://theirf.org/research/ten-things-top-performing-companies-do-differently/2229/**

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