



INCENTIVES WITHOUT BORDERS

Many Companies Are Shifting Gears in the
Face of Globalization

by Tyler Gentry and Karl Glotzbach

Corporate life is becoming increasingly global. From an HR perspective, it's clear that more employees are working in distant lands. Executives are helping establish new operations; accountants are auditing the books of foreign subsidiaries; and salespeople are expanding their territories. Most companies are affected in some way. The result: more interactions between employees located in different countries.

The Need for Global Employee Solutions Is Growing

The growth in the number of multinational corporations over the past two decades has been astounding. According to a 2003 article published on Yale Global Online, 60,000 companies entered the multinational category between 1990 and 2003. The review noted that "From a mere three thousand in 1990 the number of multinationals has grown to over 63,000... these multinational corporations directly employ 90 million people (of whom some 20 million are in

developing countries) and produce 25 percent of the world's gross product."¹

There are a number of factors contributing to the increase in the number of multinational corporations. Free-trade agreements and the growth of the Internet are two key factors. In North America, NAFTA has reduced barriers to trade between the U.S., Canada and Mexico. Europe has largely unified its economy through the European Union. These agreements have made it easier for countries to trade with each other through the elimination and reduction of tar-

Murray Levitt, vice president of Business Development at MotivAction. "The ability to easily recognize colleagues across borders yet fulfill awards locally around the globe is what many companies need today."

The American Perspective

Incentive and employee recognition programs are a staple in America. U.S. companies are likely to expand their use of these tools in the face of an impending skilled-labor shortage due to an aging population with large numbers of workers approaching

listen that the future financial health of business and government hangs on their ability to retain older workers.

"What a difference if people would delay retirement for just a year or two," said Stinson. "We're about to lose all these people with company-specific skills and institutional memory. Even if we had enough younger workers to replace them, which we don't, you can't replace the experience."²

Opportunities Overseas

The challenge of retaining and motivating employees is particularly acute for American companies. What about foreign companies? Multinationals headquartered in the United States are the driving force behind the opportunities overseas. Companies want to drive operational efficiencies and increase productivity. They want to be consistent in their treatment of employees, regardless of their location. Recognition provides a common ground to unify their people and communicate a unified message about the culture and what it means to be an employee of the company. Part of the challenge is to identify existing programs and integrate them into a single system.

The explosive growth in the number of multinational companies has created increased demand for global employee solutions. This trend is intensified in the United States by impending labor shortages. As a result, employee marketing on a global scale is beginning to unfold.

The obstacles to implementation of

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iffs as well as other reforms. In addition to treaties and trade agreements, the growth of the Internet has reduced barriers to international trade as companies and their customers use the worldwide Web to conduct business.

As the number of workers employed by multinational companies continues to grow, the market for global employee solutions also grows. In the Performance & Recognition space, agencies that provide these services are seeing the effects. "The ability to operate recognition programs globally has gone from a 'nice to have' to 'need to have' for most organizations," according to

retirement. As result of this situation, U.S. companies have begun to understand that they have an internal customer, and undoubtedly the most valuable one of all: the employee. Retaining tenured employees will become increasingly vital to employers in a very short time. A recent article in the *Minneapolis Star Tribune* highlighted the stakes: "We need older workers, and in two or three years it's going to be apparent just how much we need them," said (Minnesota) State Economist Tom Stinson.

For a decade, Stinson and State Demographer Tom Gillaspay have been preaching to any group that will

¹ Yale Global Online. Review by Nayan Chanda. Source: *Globalinc. An Atlas of The Multinational Corporation*, by Medard Gabel & Henry Bruner.

² Job crunch ahead as boomers retire, by Warren Wolfe, June 8, 2007, *Minneapolis StarTribune*.

truly global solutions have proven to be significant. As a result, many multinational companies continue to take a piecemeal approach to employee solutions. Managers in their respective countries, or even specific locations, are left to fend for themselves. While this may reduce the logistical complexity associated with global program design and delivery, it dilutes the establishment of a strong corporate culture and diminishes brand-building efforts. It makes it next to impossible to get a handle on spending. Companies that seek to

world, like China. Because market forces are driving us to work inter-regionally, we needed to find a way that would recognize and reward employee teams in both regions.

“As a result, we have evolved our thinking of employee recognition programs to match the increased complexity of our business needs. Our earliest efforts were built around recognition and rewards delivered by an individual manager. Then we implemented regional recognition programs based on performance and the cultural values of the company,

Companies that deliver superior financial results are, not coincidentally, also top performers in the area of employee engagement.

compete and win in the global economy can't afford these consequences.

“When we first began looking at global recognition programs, we realized that the most important factor is understanding the business objectives in each region so that we could craft a strategy that would support the business and motivate the employee at the same time,” said Steve Church, SVP and chief human resources and development officer for Avnet, Inc. “For example, we have a business model where the initial work for a sale might begin with sales and design engineers in one region of the world, like the Americas, but the solution is actually built and fulfilled in another region of the

but the regional programs still varied from one another. Over time, our business has matured to where we believe we need a global recognition program with defined metrics. That's where we're headed today.”

Recognition Best Practices: The Five C's

Companies that deliver superior financial results are, not coincidentally, also top performers in the area of employee engagement. Reward and recognition are key components of employee engagement. The best practices followed by companies that place a premium on rewards and recognition can be boiled down to the five C's. (See chart on page 82.)

Consistency

As with any important corporate project, companies seeking to implement global employee programs must first build a team. A good place to start is by developing a steering committee. The steering committee will be responsible for determining strategies and allocating resources. This committee should include members from various disciplines such as information technology, marketing, finance and operations. Key regions/countries should be represented to ensure their needs are addressed.

Program implementation and ongoing delivery should be managed by an overall program owner who is supported by “country coordinators.” The program owner will coordinate and manage the efforts of the internal team as well as any third-party vendors. Country coordinators will work with the program owner to run the programs in their countries.

The obvious solution for consistent global program delivery is a Web-based platform, either via the Internet or a company intranet. Web-based solutions enable organizations to quickly and efficiently deliver content and services on a global scale. Global platforms have evolved from the point of merely offering award fulfillment to providing global applications. As a result, managers and co-workers in different countries can experience the recognition process in the same way. So, for example, a manager in the United States can recognize an employee in Germany, and vice versa.

The process and technology are the same in all countries. The only thing that changes is the language.

Control

The need for tighter controls was brought about in the United States by Sarbanes-Oxley legislation. American companies must be able to track recognition activities and spending. Obviously this task becomes more difficult and complex in a large, multinational corporation. The problem can be minimized by offering managers a common tool for reward and recognition, and insisting that they use it. Local managers may be

which eliminates much of the complexity from budget management. Points are more flexible from a compliance and regulation standpoint. Using points as opposed to cash or cash equivalents also streamlines program analysis by eliminating the need to convert earnings and redemptions from multiple currencies.

Taxes are another complicating factor in the management of international programs. Companies should consult tax experts within their organizations in order to develop their policies. Generally speaking, shipping and invoicing within country borders is preferable – and less expensive.

insight into various “do’s” and “don’ts.”

Web sites can be built to accommodate various languages. Sites can recognize the user based on their login and can display content in the appropriate language. In addition, the user may choose the language they wish to view based on their preference (for the Brazilian worker who resides in the U.S., for instance). In addition to the Web site, language issues come into play in the customer-service arena. Customer service is a big part of program success. Call centers should be located and staffed accordingly, so that the employee can speak to a representative in their language.

While it is clear that Web-based systems will be the main delivery method, it is important to consider additional channels. Planners would do well to survey employees in different regions to determine preferred communication techniques. A mixed media strategy (Internet, print, dimensional items, meetings and live events) ensures that the highest number of employees will “get the message.” Since Web sites require the user to seek them out, planners will want to push information to employees as well.

Choice

Choice is a key driver of satisfaction with reward and recognition programs. If employees put out the extra effort to succeed in a program, they want to be able to use their earnings

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accustomed to purchasing rewards on an ad hoc basis. They may have had no other options. Companies can take a major step toward getting a handle on their overall reward and recognition spending by implementing a Web-based system which automatically tracks activity and budgets.

Best practice dictates the use of a single reward “medium.” Most incentive experts agree that non-cash rewards outperform cash as a way to drive excellence. Point systems are typically used in non-cash reward programs. Points have the advantage of providing a common medium,

Shipping across borders brings in duties, customs and various taxes. These costs can significantly affect a program’s budget.

Communication

Regular communication is critical to the success of any employee program. When the program is global in scope, the issues of language and culture come into play. The best advice here is to use local languages and understand local cultures. The “country coordinators” mentioned earlier can be a very useful asset in this regard, by providing advice and

for something they want, not something that was chosen for them. Of course there are exceptions, such as travel programs, where the reward is defined by the organization up front. Certain types of recognition items may also fall into this category. But the rule of thumb is that additional choice leads to higher satisfaction and participation. This is especially true at the low end of the price spectrum. Some employees will never accumulate large point balances. There are also situations where an employee has points “left over” after a major redemption. For these reasons it’s important to cover a wide range of price points.

From a global perspective, this means unique award selections for various countries. The items, brands and features that appeal to Spanish workers will not be as effective in Mexico. Then there are cultural con-

siderations. For example, in France, no reward collection is complete without wines and foie gras.

Point systems which feature robust award selections can provide a high level of choice, with a focus on items that have “trophy value,” thus clearly distinguishing reward programs from compensation.

Commitment

Without commitment at the highest levels of the organization, none of the previous four “C’s” will matter. Employees value what their leaders value. If employees never hear senior management talking or asking about recognition and reward programs, they will assume that these programs aren’t important. However, if they see senior management regularly putting a focus on employee programs, they will be more likely to participate.

The key fact about these programs is that they are culture markers. They provide a formal structure for defining and rewarding behaviors and accomplishments valued by the corporation: excellence, loyalty, creativity, engagement and teamwork. This needs to come through loud and clear at headquarters and all branch offices – wherever in the world they may be.

Parting Thought

Setting aside cultural differences, languages and customs, it’s undeniably true that all people have certain desires in common. People have a deep need for acceptance, belonging and appreciation. Most people have a need to perform well at work and to know that they are doing a good job. Recognition helps meet these needs while simultaneously driving corporate strategy and business objectives. Following the five “C’s” can help organizations deliver recognition experiences that bond employees to their employers and each other. ■

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THE FIVE C’S	
Consistency	Program objectives are measurable, attainable and aligned with the company’s core values. Recognition opportunities and processes are consistent and fair across the organization.
Control	The organization knows who was recognized, why they were recognized and how much they earned. A systematic tracking and reporting system is in place.
Communication	Expectations are clear and employees receive timely, personal feedback and reinforcement. Managers understand why and how to recognize.
Choice	Employees receive meaningful recognition and awards that they want, plus flexibility to satisfy near-term desires or invest in long-term goals.
Commitment	Management “walks the talk” by making employee reward and recognition a priority, and by providing adequate funding.

GLOBAL RECOGNITION: OPTIMIZING PROGRAM RESULTS THROUGH MEASUREMENT AND ANALYSIS

In the performance industry today, more companies are requesting reward and recognition solutions that can be extended to a global workforce. Companies are increasingly recognizing that talent acquisition and retention is a growing concern across the globe. The right reward and recognition solutions can provide companies with a competitive advantage as they seek to retain their top performers and develop their rising stars.

In the ever-changing global marketplace, flexibility and continuous improvement are necessities in a reward and recognition approach. A systematic measurement and evaluation process will help a company modify business objectives, rules structures and payouts to fit culture and global market needs, resulting in a more effective and efficient reward and recognition strategy.

When developing your reward and recognition plan, consider using these best practices:

Define Program Objectives

In order for any analysis and evaluation process to be effective, a company must determine objectives and measures of success before the program launches. In a global environment, a “plan global, achieve local” strategy is often appropriate. Most likely, a company will have global program objectives that roll down to many worldwide locations. However, success may be defined and achieved differently in each country or region. Take local differences into consideration when determining how to measure success of the reward and recognition initiative.

Analyze and Adapt for Success

Analysis is critical to measuring the success of an organization’s recognition program. Aligning mission, vision, values

and behaviors across a global organization requires some flexibility. Analysis of recognition and reward activity can be used to compare country-to-country performance and identify regional trends. At program launch, an environmental scan of current practices, and of activities that contribute to organization success, can help to determine an appropriate solution design. During the program, ongoing analysis guides continuous improvement efforts and maintains focus on key value-added activities. At the end of a program, analysis of key behaviors (and how often they are recognized) can be used to determine success and justify program spending.

For example, a recent participant survey found that participants in the United States, Canada and APAC rated their program more effective than their counterparts in emerging countries. This type of response warrants further exploration. A lower effectiveness rating in emerging countries may indicate a need to modify the program to account for regional differences. However, a lower rating may also be an acceptable success rate for that region. Further analysis will clarify the response and guide any necessary changes so that the recognition strategy can be configured to address local needs.

Track Metrics at Local Level

In order for reward and recognition strategies to be effective, key performance metrics must be consistently tracked across the organization. A good way to track program effectiveness is to distribute employee surveys at the launch of the program and again at the middle and end. A typical program survey might include the following items:

- I feel like we are one team with common goals

- I know what is expected of me
- I get regular feedback on my contributions
- I have input into decision-making

The survey responses should be segmented by geography to facilitate comparison across regions and to identify differences between countries.

Another method of measuring reward and recognition effectiveness is to track level of engagement in the program using available reporting. By tracking the number of recognitions given, how frequently they are given, at what level and for which behaviors, a company can make sure the program is reinforcing the right behaviors and identify areas to improve. A recent employee survey for a high-tech client showed a broad embrace of an awards-for-performance strategy, validating that a reward and recognition approach is a key tool to engage and ultimately retain an organization’s best performers.

Measurement and analysis at the local and global level is an essential part of any global recognition program. Continuous improvement will ultimately help to align reward and recognition programs to the corporate objectives of retaining valuable employees and attracting new talent.

Source: Kurt Hosna, international product manager, Maritz; and Jerry Klein, client solutions director, Maritz.

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