

Making the Case for Outsourcing:

Seven Considerations to Avoid the Pitfalls of a
Do-It-Yourself Rewards and Recognition Platform

Introduction

While it is common for organizations to outsource functions like payroll processing, many HR departments continue to build their own employee rewards and recognition programs and maintain them in-house. Organizations often underestimate the time, resources and expense required to administer a do-it-yourself program. Administrative headaches can have a negative effect on program effectiveness and result in a subpar return on investment.

A recognition solution provider can help you build and sustain a successful online program that is easy to administer and cost-effective. This whitepaper will consider the benefits of outsourcing your employee rewards and recognition program and help you make the business case for outsourcing to your fellow executives. Real-world case studies will demonstrate the advantages of partnering.

Rewards and recognition are now a key element of the total compensation package.

The Importance of Employee Recognition

Recognition Professionals International (RPI) recommends allocating 1-3% of employee salary to rewards as a best practice.¹

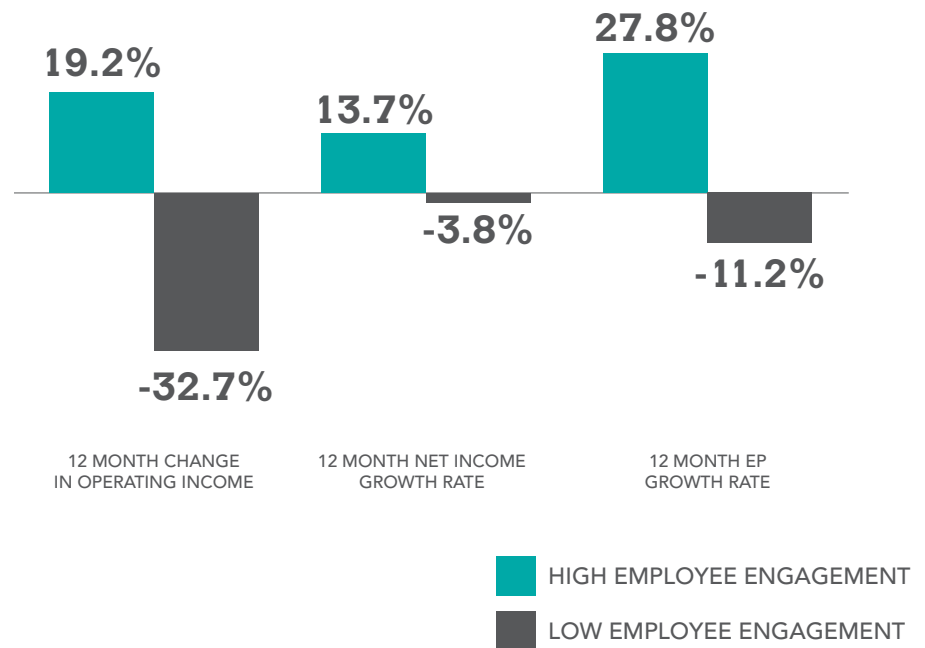
There are few who would dispute the important role of recognition in increasing employee engagement. Organizations that regularly recognize their top-performing employees tend to have more engaged and productive workforces.

This high level of engagement correlates with increased business performance and results:

- According to the Hay Group, a global consulting firm, "Companies with the most engaged employees report revenue growth at a rate two-and-a-half times greater than their competitors with the lowest level of engagement."
- A recent study reported in Incentive showed a direct correlation between the perceived use of recognition in organizations and the profitability of those firms. The financial return of Fortune's Best Places to Work has been shown to be 233 percent higher over a six-year period as compared with overall market returns and companies with higher employee satisfaction scores have been shown to have a 700 percent higher shareholder return.
- Dr. Bob Nelson, best-selling author and a leading authority on employee recognition, has found that, "Organizations that have a 'culture of recognition' have employees who report they are five times more likely to feel valued, seven times more likely to stay with the company, six times more likely to invest in the company, and eleven times more likely to feel completely committed in their jobs, which has been shown to account for 57 percent greater effort on the part of employees."

Impact of Employee Engagement on Financial Performance

The chart below illustrates the financial link between engaged, satisfied employees and bottom-line business success:



SOURCE: TOWERS PERRIN SEPT. 2009

While there is no doubt that an employee rewards and recognition program can increase engagement, how you approach the creation and maintenance of such a program can make all the difference when it comes to effectiveness, sustainability and return on investment.

DIY Rewards and Recognition Programs

Many do-it-yourselfers learn the hard way that it is one thing to launch a rewards and recognition program and another to administer it effectively. HR professionals often find themselves spending countless hours managing the DIY program, while seeing very little return on investment. In other cases, programs lose momentum and flounder because competing priorities keep HR administrators from spending enough time on the program.

Recognition and rewards programs require an administrator within the HR department to design the program, secure executive buy-in,

source vendors, communicate with employees on an ongoing basis, monitor program performance, track budget and manage fulfillment – all of which takes away from their core competencies. These activities typically do not fall within the traditional skill set of HR professionals. With do-it-yourself programs, these various tasks are usually performed manually with little or no automation.

Organizations do not need to “go it alone” when it comes to building and sustaining an effective employee rewards and recognition program. The administrative challenges described above can be avoided by partnering with a recognition solution provider that “lives and breathes” employee rewards and recognition. An outside solution provider can bring many business and technological benefits to the table for little or no additional cost.

Seven Key Advantages of Outsourcing Versus Do-It-Yourself Program Initiatives

What can an external solution provider do for your program?

- Expert Consultative Support
- Administrative Support
- Employee Support
- Enhanced Security
- Consistency across Rewards Programs and Departments
- Up-to-date Technology
- Transparency, Monitoring and Reporting
- Ongoing System Improvements
- Extensive and Ever-Changing Rewards Catalog
- Immediacy in Delivering Recognition and Rewards

In this section, we’ll look at the tasks involved in administering and sustaining a rewards and recognition program, and how an online solution from an outsourced solution provider can take away the pains of administering a successful program through the use of modern technology and automation.

1. Expert Guidance in Designing and Building the Program

When designing a rewards and recognition program, employers must determine what behaviors or values they hope to encourage, set program goals and decide how best to achieve them. You may have the best intentions when building your own program, but it helps to have a thorough understanding of rewards and recognition best practices, what works and what doesn’t. If this specialized knowledge and insight is lacking, it will impact how effective your program is at engaging employees.

To encourage employee participation, the program must be structured in such a way that it is accessible to all and easy to use. The program must also be rolled out, branded and communicated effectively in order to encourage rapid employee adoption and build momentum. You will want to create hype around the program and launch with a bang. Launch activities may involve designing a new Web site, email communications, an introductory seminar or Web conference and printed program brochures.

The greatest advantage to partnering with a third-party solution provider is that you can tap into their wealth of expertise. These service providers are rewards and recognition experts who know what strategies are most effective and the common pitfalls to avoid.

Their winning strategies and tactics have been proven in successful client implementations across a range of industries. They know how to structure, launch and administer an online rewards and recognition program that will get results.

Once the program has been launched, the solution provider can also provide insight into program metrics and ideas for how to improve or enhance your program going forward.

2. Easy Administration by Design

An online rewards and recognition program implemented on a third-party solution provider's technology platform can help you kick-start your rewards and recognition program or consolidate existing programs to make them easier to manage.

Online programs are designed to be accessible by all employees and easy to use. Online solutions make it much easier and faster for employees to obtain the rewards they want, as opposed to using paper rewards catalogs or ordering items by phone or mail. If you make employees wait too long to receive their reward, they will have forgotten why they received the recognition in the first place.

Online solutions also incorporate automation to make common administrative tasks faster and easier to perform. In addition, online programs allow customization and branding to ensure that the program's look and feel is a good fit with your unique corporate culture and employer brand. With an online platform, new programs components can be rapidly rolled out organization-wide to keep the program fresh and engaging. In some cases, multiple internal recognition and rewards programs can be consolidated within a single online program that is easier to manage and monitor and more efficient from a budget perspective.

3. Timely, No-Hassle Support, Shipping and Fulfillment

To engage employees, the rewards and recognition must be timely. If it takes months to process, approve, source and ship an item to the employee after a goal or career milestone has been

Reward fulfillment may require shipping to various company locations across the country or around the world. Not only must shipping costs be considered, but also the time and effort required to manage fulfillment. In most cases, it is more economical to outsource to a recognition solution provider.

achieved, the reward and recognition is unlikely to motivate the employee or encourage the desired behavior or performance to be repeated.

With DIY rewards and recognition programs in which HR is responsible for delivering rewards items to employees, there are often delays in awarding rewards and recognition to employees. Shipping and fulfillment can be incredibly time-consuming and is seldom a core competency of HR professionals or program administrators.

With an outsourced online solution, the recognition solution provider is responsible for fulfillment, so you do not need to worry about maintaining inventory, shipping, returns of damaged items, insurance or delivery. This means that HR has more time to focus on core competencies such as hiring, retention, training, skills development and other strategic HR initiatives.

4. Greater Security

Program administrators must be accountable for ensuring that valuable rewards are secure from theft or misuse. In-house programs can be inherently insecure. One common HR practice is to purchase a large quantity of gift cards for managers to award to employees in recognition of their efforts.

This practice involves HR people going out to Wal-Mart or BestBuy, buying a quantity of gift cards and keeping them in a drawer. Unfortunately, this poses a security concern as the gift cards can easily go missing and there is no easy way to track them. Employee theft is one issue, but there are also financial reporting concerns. From a budgeting perspective, it can be difficult to control the amount of rewards that is being handed out.

With an outsourced online solution, every recognition and reward redemption is tracked by the system. If company-branded gift cards are used for on-the-spot recognition, these can be easily cancelled by calling the solution provider should they be lost or stolen, protecting your rewards investment.

Even if you don't rely on gift cards, liability in the event that a reward item is lost or damaged during shipping is another security concern. Outsourced solution providers generally assume responsibility for replacing lost or damaged reward items as part of their service.

5. On-Demand Monitoring and Reporting

Tracking, reporting and analytics are necessary to measure the program's effectiveness over time and demonstrate return on investment. Management reporting is a critical success factor in sustaining executive buy-in and long-term support for the program.

Capturing program metrics gives you the data you need to track your rewards budget. Detailed metrics are also invaluable in performing periodic assessments of the program in order to make improvements that are based on data rather than guesswork.

DIY programs are typically tracked manually with little or no automation. HR staff often relies on Excel spreadsheets to track performance, which can quickly become messy and onerous – not to mention spreadsheets almost never get updated in a timely fashion. Tracking the various rewards and recognition programs within an organization and monitoring the impact of the overall program can place a huge administrative burden on already overtaxed HR departments.

Outsourced online solutions capture all of the important data necessary for management and taxation reporting, monitoring program effectiveness and managing your rewards budget. By providing program administrators with visibility into key program trends and metrics, an online solution takes the effort and guesswork out of program administration, monitoring and reporting. Data and real-time reporting aids ROI analysis and guides decision-making on program improvements.

With manual DIY programs, administrators often have to manage their rewards budgets through expense reports. Online solutions allow you to manage budgets automatically, further reducing administrative overhead.

6. Ongoing Platform Improvements

Another advantage of choosing an outsourced online solution is that you will have the most up-to-date tools available in the market at your disposal. The solution provider is responsible for periodic upgrades and improvements to the technology platform. This future-proofs your investment and ensures that your rewards and recognition program will always be cutting edge.

Employees want personalized, meaningful rewards that fit their lifestyle. Popular reward items include travel, personal electronics such as Apple iPods and iPads and tickets to sporting and cultural events.

“In our experience with clients, offering employees a broad choice of desirable name-brand rewards items is a key motivator. Traditional rewards items like company-branded merchandise simply don’t inspire employees to excel. No one ever worked harder for a coffee mug.”

*Razor Suleman,
CEO, Achievers*

7. Extensive Rewards Catalogue

In order to keep a rewards and recognition program appealing to employees, organizations need to vary their reward offerings. If you continue to offer the same limited selection of rewards items quarter after quarter and year after year, the program will quickly go stale. With DIY programs, keeping rewards offerings up to date requires HR professionals to continually source new vendors and products, which can be a very time-consuming task.

Providing employees with a broad choice of rewards items and experiences such as travel is a key success factor in encouraging performance and repeated positive behavior. What works to motivate one employee will not motivate another. For example, giving a fine bottle of wine to an employee who doesn’t drink alcohol will not encourage the desired performance.

Online rewards and recognition solution providers maintain an extensive and ever-changing Web-based catalog of reward items and experiences to keep your program fresh and engaging. Meaningful employee rewards may include the latest greatest electronic item, a family experience or even donating the value of their reward to a charity. Online reward redemption, ordering and fulfillment ensures that your employees receive the reward items they want quickly, which reinforces the link between positive behaviors and recognition. Best of all, your HR department doesn’t have to continually source new vendors, maintain inventory or deal with fulfillment.

A Unique Value Proposition

It is hard for organizations to achieve the benefits and advantages outlined above with a DIY program. Over time, solution providers have built best practices, an advanced technology platform and robust member support, service and fulfillment capabilities that would be difficult and costly to duplicate in-house. Because all of these factors contribute to the effectiveness of a rewards and recognition program, a strong case can be made of partnering with a recognition solution provider rather than doing it yourself.

Below, you’ll find two real-world case studies of companies that achieved significant benefits by replacing their in-house programs with an outsourced online solution.

ConAgra Foods Case Study

"We have had more than 500 nominations in 6 months, which has driven a significant increase in employee engagement and enthusiasm towards the company. With the easy to use Achievers solution, recognition is now ingrained in our culture and a part of the everyday activities of everyone in the company."

*Luciana Oliveira,
Human Resources Manager,
ConAgra Canada*

When ConAgra Foods, a leading food company with well-known brands like Healthy Choice®, Hunt's®, Orville Redenbacher's®, and PAM®, sought to relaunch their employee recognition program, making the new program easy to use and manage was a key goal.

Challenge

ConAgra had an existing program, however annual employee engagement survey results revealed that 75% of their employees were unsatisfied with this program.

Solution

ConAgra Canada partnered with Achievers to create a new online, points-based employee recognition program for all ConAgra employees. Every aspect of the revamped You Made a Difference program is company branded, making the look and feel truly unique to ConAgra and its people.

ConAgra's online recognition program eliminates the manual process of managing employee reward programs and encompasses a vast array of tracking and reporting abilities to ensure the program is meeting its goals and demonstrating ROI. Program administrators are able to easily view and download program activity and recognitions on demand.

Results:

- A 264 percent increase in employee satisfaction within one year of program launch
- An 88 percent increase in employee engagement scores

- A measurable increase in gross margins since program launch
- A significant reduction in employee turnover
- 82 percent of employees believe that the program is aligned to ConAgra's business goals
- Due to its success in Canada, ConAgra has expanded the program to ConAgra Mexico

Comm-Works Case Study

"Support from the C4 Savings program has grown from the ground up, starting with our employees. Now directors are getting more involved in the program because they see the impact it is having on the bottom line.

Our CEO has also become an enthusiastic supporter, which has helped the program build even more momentum in a relatively short time."

Comm-Works

Comm-Works, a global technology provider, replaced an existing do-it-yourself program with an online solution from Achievers.

Challenge

The old DIY cost-savings program required the program administrator to do everything manually including tracking all cost-savings, submitting them to leaders individually for approval, creating the paper-based catalog and making trips to retailers to purchase the reward items.

Continuing to maintain this in-house program would have meant hiring someone solely dedicated to these day-to-day activities - something the company was not prepared to do.

Solution

Comm-Works partnered with Achievers to build and launch their new "C4 Savings" online program. "C4 Savings" drives cost savings by recognizing and rewarding employees for every cost-saving activity they perform.

Employees submit their cost-savings into their online account, which is instantly sent to their manager for approval. Once approved, points are uploaded into the employees' personalized accounts.

Get the full story.

To read the full ConAgra Foods and Comm-Works case studies and other customer success stories, please visit:

www.achievers.com

Employees redeem points for products, gift cards and experiences of their choice from an online catalog and have items shipped anywhere across North America. With Achievers, everything is automated, saving time, effort and resources. process of managing employee reward programs and encompasses a vast array of tracking and reporting abilities to ensure the program is meeting its goals and demonstrating ROI. Program administrators are able to easily view and download program activity and recognitions on demand.

Results:

- "C4-Savings" exceeded the company's \$1 million savings goal in just 7 months
- Cost savings to date have been over \$2M
- Comm-Works has successfully engaged employees in a top company priority – "touching the bottom line through sales and cost savings."

Considerations for Choosing an Outsourcing Partner

As the case studies above illustrate, there are many advantages to choosing an outsourcing partner to help build and sustain an effective online rewards and recognition program. Once you've made the decision to look at outsourcing, due diligence is required to ensure that you partner with the right solution provider. Below are some practical considerations to guide your selection process:

- Look for energetic and experienced consultants that will work with you to identify your program goals, such as whether the program will be based on corporate values, on a key business objective like cost-saving, recruitment, customer service or on any other criteria that your organization values. Recognition consultants can recommend how best to structure and deliver your program to meet your specific goals.
- In terms of the technology platform employed, consider partnering with a solution provider that offers online solutions built using a modern Software as a Service (SaaS) architecture. With an outsourced SaaS solution, the software gets better

over time as great innovative ideas requested by one client on the platform are rolled into the next software release so that everyone benefits.

- Choose a solution provider that offers an extensive online catalog of rewards items and experiences, so that your employees have the broadest choice of rewards. Determine how frequently rewards items in the catalog are updated to ensure that your program stays dynamic and fresh. Also look for the flexibility to tailor reward offerings to suit your organization's values and culture.
- Ask about the level of support the solution provider will provide to your employees outside of the technology platform. Will the provider deal with employee concerns such as login errors, forgotten passwords or issues with rewards items, for example? Do they have a hotline for employee issues and what, if any, service guarantees do they provide? Are support services value-added or there are additional maintenance changes for support?
- Most importantly, look for a solution provider who "lives and breathes" employee recognition and is passionate about going the extra mile to make your program a success – from program design and launch to ongoing service and support.

Summing Up

If you are considering implementing a new employee rewards and recognition program, or if your current DIY program is failing to engage employees or is more trouble than its worth to administer, it may be time to look at a recognition solution provider.

By outsourcing your program to a recognition expert, you can ease the burden of creating and sustaining the program. You can also ensure that your program is built on best practices to effectively engage employees and contribute to your results-driven, performance-focused workplace.

Next Steps

Request a Demo

See a live demonstration of how an outsourced online employee rewards and recognition program can drive positive behaviors, performance and results.

Speak with a Recognition Expert

Speak with a certified rewards and Social Recognition consultant about best practices for launching and sustaining a successful rewards and recognition program.

Contact Us

To get started, visit us at www.achievers.com or call 1.888.622.3343.