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Reward and Incentive Strategy: The Missing Link Between Employers and Employees... Total Rewards Management™

Cost savings for employers...rewards for employees. Sounds simple. It sounds a lot like “consumerism” in health care—making employees more accountable for health care decisions and better consumers of health care services.

But is “consumerism” a concept that should be limited to health? Shouldn’t we be telling employees, “If you deliver clear, measurable and verifiable benefits for the organization, you will be rewarded?” Isn’t the goal to reduce costs and make employees more accountable for activities that are integrally tied to performance drivers, not just in health care but in everything they are doing?

Think of this in the context of health care costs. It is the accepted view that a significant portion of an organization’s health care costs, some say up to 80 percent, are caused by chronic conditions. The challenge is that, for many years, employers have been paying for employee health care with little reason for employees to be good health care consumers. In other words, organizations need to change employee behavior—behavior that has been ingrained for many years.

The question is how can organizations do that?

According to a recent study by PriceWaterhouseCoopers, 80 percent of CEOs from 150 large employers believed the most promising option for reducing corporate health care cost increases is to provide incentives to employees. An interesting statistic—but again the question is how?

The answer is an integrated reward and incentive strategy. In 2005 and 2006, employers embraced a compensation and benefits strategy to integrate the various components of employee benefits into a single overriding strategy—or what we all call “total rewards.” As part of a Total Rewards strategy, rewards and incentives have traditionally been viewed as one or more “elements” of a total rewards strategy (e.g., incentive compensation/reward programs).

Doesn’t that miss the mark? Shouldn’t incentives and rewards be a component of all elements of total rewards as opposed to a single spoke in the wheel? If you ask 150 CEOs, aren’t incentives and rewards the most promising option to drive behavior change in health?

The theory seems to make sense in health, but does that model truly apply when it comes to other corporate objectives? Is consumerism in health really different than:

- Encouraging a teller in a bank to “sell” versus “service.” For years tellers have acted primarily as customer service representatives, and the words “up-sell and cross-sell” sounded more like a foreign language than part of their job description.
- Driving employees to buy into the new CRM system your organization has spent millions of dollars to implement.
- Rewarding doctors when they use e-prescribing tools. Haven’t physicians been writing illegible prescriptions on notepads since before our time?
- Supporting employees to think outside the box for ideas that will improve company productivity and reduce organizational costs.
- Encouraging an employee to get a biometric screening before he or she feels any pain. After all, weren’t CEOs saying only a few years ago that “wellness” is a good idea but “someone will have to show a return on investment before we write the check.”

An integrated reward and incentive strategy is the “missing link” between business strategy and day-to-day employee performance. An integrated reward and incentive strategy would look more like the first table.

An integrated reward and incentive strategy such as TRM is the “missing link” between business strategy and day-to-day employee performance.

As we look toward 2007, an integrated reward and incentive strategy—called Total Rewards Management™—will emerge as employers leverage the experience from driving reductions in health care costs to other corporate drivers such as productivity, safety, absenteeism, turnover, sales performance...and any other objective that has financial benefit to an organization. Just as William Edwards Deming ignited the quality revolution and developed Total Quality Management, organizations should view TRM in the same manner.

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A few years ago, an integrated reward and incentive strategy seemed like a solution for the future. Employers competing for scarce employee resources are finding that the future is now.

Unfortunately, for many companies that run fragmented programs (e.g., differing award criteria, no common award management and reporting mechanism, manual processes), it is difficult to measure the activities and behaviors of managers and recipients as well as the goals and results of programs as a whole. After all, the ability to gather performance information and to deliver incentive initiatives and associated improvements is, in many cases, dependent on the ability to gather real-time information about activities. The key to this link is an integrated strategy supported by solutions that deliver integration, the flexibility to be applied to different audiences and objectives, and a “just-in-time” delivery model. Fortunately, the advances of solution providers such as IncentOne and improvements in technology provide employers with an opportunity that was not available before—to integrate previously fragmented reward and incentive initiatives into a comprehensive system with real-time tracking, reporting, auditing and goal analysis. This integrated approach provides the opportunity to establish performance initiatives, measure results against stated goals, and implement processes and procedures to target areas for improvement.



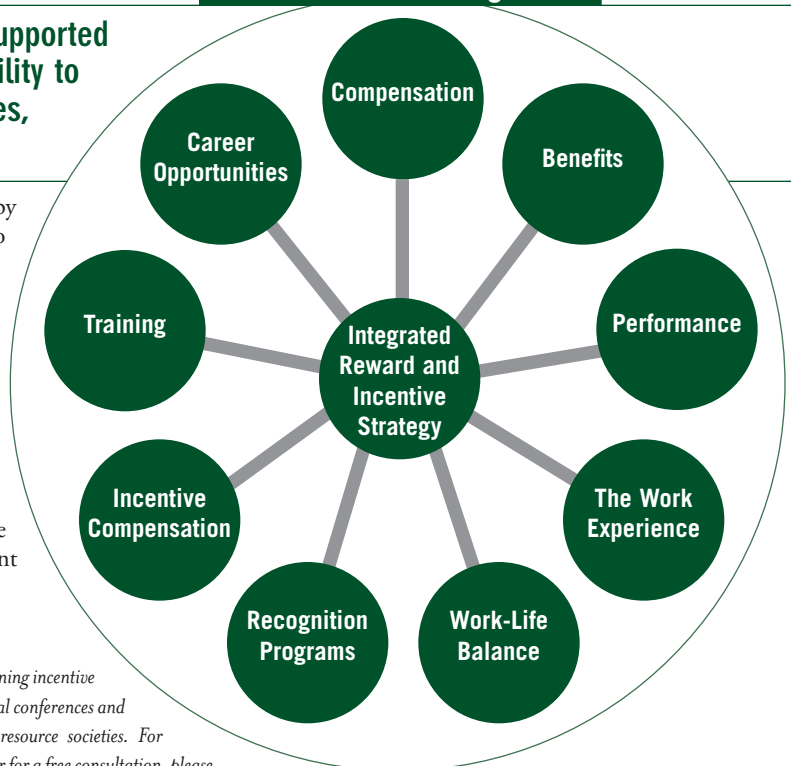
Total Rewards Management

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Imagine the day when delivering incentives and rewards is no different than “just-in-time” inventory. Today, when a dealer sells a car from a lot in Florida, a new car starts the production process in Shanghai, China. In the not-too-distant future, with an integrated incentive strategy in place, when data shows that employees in an organization’s Portland location were 15 percent behind benchmarks for quarterly sales performance, communications would be instantaneously delivered to those employees with a message: “Increase performance by 10 percent between now and the end of the month and receive...”

2007 will be the time. **BCS**



Michael Dermer is president and CEO of IncentOne, a leading provider of award-winning incentive solutions based in Carlstadt, N.J. Dermer is a frequent speaker at national and regional conferences and is also a member of numerous health care, benefits, compensation and human resource societies. For information on how IncentOne can provide you with an integrated incentive solution, or for a free consultation, please visit www.IncentOne.com.