

# CHOOSING A PERFORMANCE IMPROVEMENT COMPANY TO MEET YOUR COMPANY'S NEEDS

*It has become difficult to differentiate between the service offerings of various suppliers. Here's an overview of the issues involved with selecting the right company for your needs.*

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The \$29 billion incentive industry is in the throes of change. In fact, the very phrase "incentive industry" has a new meaning, as more and more enduser companies recognize that incentives are just one tool — albeit a powerful one — among many used to improve organizational performance. Other motivational factors include education and training, recognition programs, leadership and people-management improvements, employee empowerment, advanced communication programs and technology. Performance improvement remains the goal of motivation, but the means for gaining that improvement are based on what's best for the end-user company and are related to its corporate culture and the depth of its own resources.

As the new performance improvement marketplace has evolved, so have the companies serving that marketplace. In particular, many companies have broadened their scope by adding services— either in-house or through outsourcing arrangements—that go well beyond the services offered by the traditional incentive company. In fact, the industry has evolved to the point where

three distinct types of service providers now exist:

- Full-service performance improvement companies.
- Full-service incentive companies.
- Incentive fulfillment companies.

The problem for end-users results from the fact that all of these companies can claim that they serve an end-user's performance improvement needs in a variety of ways—offering such services as "gap analysis" or talking in terms of "motivation deficits"—whether they have the skills and resources to apply these tools or not. The Internet further blurs distinctions, because one company's web site offers much the same as another, regardless of the size of the company making the claims and promises, or its resources, or its experience related to the end-user's specific performance improvement needs. How does one determine what a supplier does versus what it claims to do?

## **Types of Incentive Companies**

### **• Full-service performance improvement companies.**

These companies generally have the most comprehensive service offerings,

*Full-service performance improvement companies generally have the most comprehensive service offerings, reflecting the broadest definition of performance improvement.*

reflecting the broadest definition of performance improvement. The full-service performance improvement company starts with an analysis to determine the client's core business issues. They offer a variety of communications, training, measurement, and reward services with a consultative, solutions-oriented approach. The performance-improvement solution they offer may include one, or a combination of, key performance levers, including employee education and training, communications, management training, and incentives. By conducting the necessary research about the company, by determining what group of people can positively affect its business goals, it can recommend targeted applications to properly motivate that group's performance. The full-service performance improvement company starts with a clean palette, applying precisely the right strategies for the situation with no pre-ordained solution.

### **• Full-service incentive company.**

The full-service incentive company can provide incentive programs from design through operation, including the support services of promotion, administration, and awards. It can offer a range of "off-

the- shelf” programs with less sophisticated design and with limited financial modeling capabilities. These companies typically focus on current users of incentive programs and assist with the development of communications campaigns and rules structures associated with incentive programs. They generally deliver group incentive travel and/or non-travel rewards (merchandise, certificates, debit cards, etc.).

**• Incentive fulfillment company.**

Incentive fulfillment companies typically deliver “product” in the form of group incentive travel and merchandise awards. They generally provide only the award and related administrative components of an incentive program, which may involve a catalog (hard copy or online) and the delivered item, trip, or card (debit, credit, or stored value). They generally do not provide extensive support services for such programs, other than those required for award fulfillment. Incentive fulfillment companies operate with lower overhead and often consist of smaller companies dedicated to a specific aspect of the fulfillment business.

**Performance Improvement Industry Matrix**

The matrix below depicts the various services that a typical company in each of the three incentive industry categories would offer its customers. After determining what a company offers, the most important question to ask is: how? Does it have the expertise, experience, and resources to deliver these services via internal resources or through solid and long-standing outsourcing partnerships?

In fact, customers will encounter many conflicting claims when comparing performance improvement companies and selecting the best partner. Unfortunately, when the decision is primarily based on price, the “how” is often overlooked.

**The Consultant Model: Another Perspective on the Types of Incentive Companies**

Here’s another perspective on the perfor-

mance improvement marketplace. Think of it in terms of the four types of consultant/adviser that an end-user company might use.

**• Level I - Overall business strategy-consultant.** These companies consult on core business and motivation issues. They might charge a consultancy fee in addition to fees for specific services rendered .

**• Level II - Companies that offer strategic resources.** These companies supply services to help execute the strategies. They understand high-level discussions and strategic selling, and offer solution sets that match the end-user company’s overall strategy. They participate in the strategic process.

**• Level III - Companies that supply services at a tactical level.** These companies assist in working out the details to support the strategy. They do not assist in working out the strategy, but in developing ways to ensure that proper implementation of the strategy.

**• Level IV - Companies that assist with the logistics.** These companies execute the elements to ensure that the strategy and tactics are implemented according to plan.

By this measure, full-service performance improvement companies operate at Levels I through IV, offering strategic resources, execution tactics, and logistical assistance.

Full-service incentive companies tend to operate at Levels II through IV, offering tactical and logistical help related specifically to incentive programs.

Incentive fulfillment companies tend to perform Level IV functions, offering primarily logistical assistance.

Companies at the top end of the strategic hierarchy can typically perform all of the Level I - IV functions; those at the bottom usually specialize, but may drift “upstream” based on economic condi-

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tions or because they have successfully run a program for a long-term client.

While its current resources may focus on a specific level, an incentive company may be asked to extend its services because the client likes its pricing model and trusts the relationship.

**Confusion in the Performance Improvement Marketplace**

For the end-user approaching the performance improvement marketplace, plenty of opportunity for confusion exists. The problem starts with terminology. The industry still lacks agreement on the meaning of many performance-related terms—even terms such as “full-service performance improvement company” and “full-service incentive company.” Since all three categories of companies can influence performance to differing degrees, definitions become easily blurred. The problem is not so much that companies deliberately mislead potential customers, but rather a lack of precision in their use of terminology. Thus, if a company calls itself a “full-service incentive company,” but can’t provide insight on industry trends or offer a number of

alternative solutions, its definitions may fail to synch with terminology used by others in the business.

Expertise is also an issue. What constitutes an “incentive professional” with regard to the design and operation of an incentive program? The industry does not yet have formal training or certification standards to help buyers make better distinctions. Also, as companies seek to broaden their scope beyond traditional incentive offerings, they must develop — or outsource — the expertise necessary to fulfill these programs.

Outsourcing begs other questions. Can a company claim “expertise” in such areas as program design, training, or leadership if it outsources these functions? That will depend largely on the depth of the relationship it has with the company providing these outsourced services. Clients may have difficulty determining whether the company offers seamless services from multiple suppliers or truly delivers everything from one resource that has the expertise to integrate all the requested services in-house.

A company’s marketing claims also can create confusion. For instance, each of the three types of companies serving the performance improvement marketplace can claim to provide an incentive solution, but the range of those solutions can vary widely, along with the expertise that suppliers can apply to those solutions. Although supplier claims may sound similar, the enduser needs to understand the inherent bias of any supplier. Various suppliers may make the same claims, but their recommendations could vary considerably based on the services and expertise resident in or available to the specific supplier.

### Defining Your Performance Improvement Needs

As a first step to sorting out conflicting claims in the marketplace, end-users have to determine their level of need with respect to performance improvement. If an end-user has experience with the off

e rings of the various suppliers, has experience in using and administering such programs, and knows what it wants, then the next step is easy: An incentive fulfillment company might best meet its needs.

But what about companies looking for help with performance improvement? Many have only a general idea of their problem and how to solve it. They may ask such questions as: What is the real performance problem? Is it a matter of training, motivation, communication? Would a recognition/reward program help, or do underlying cultural issues need addressing?

Potential customers should know if they can determine the root cause of their performance issues and the goals of their organization prior to the development of a program. They should ask themselves these questions:

- What results are we currently experiencing, and what results do we desire?
- What is preventing us from achieving our desired result? How do we identify those factors?
- What solutions will improve the result?

If a company hasn’t identified the performance issues, it should probably consult with a full-service performance improvement company to help identify and put the performance issues into context, and to help better understand the key business challenges. If it feels that it has the issues defined and requires the help of a company to address those issues through the use of incentives, then a full-service incentive company can provide a solution as well.

### Finding an Incentive Company to Meet Your Needs

Considering the potential for confusion in the performance improvement marketplace and the competitive and often conflicting claims of suppliers, potential customers need to take great care in finding a provider that can offer all it claims it can offer.

*Buyers should also ask: Are we trying to establish a budget to match the results we want? Or are we trying to buy services to match an established budget line item?*

A potential customer can start by asking a supplier about other clients for which it has run performance improvement or incentive marketing programs; the issues faced by those clients; the types of solutions provided; and the results of the recommended solutions. Customers should also visit the supplier company to verify the substance behind its claims, and speak to some of the supplier’s current clients. A key indicator during the process: To what lengths has the supplier gone to understand the client’s business?

Once a potential customer has identified its key performance issues and has an idea of the results it seeks, it can pose questions to potential suppliers to better understand their capabilities. These include:

- What approach would you take to my company’s problem/situation, and why do you suggest that approach?
- What is the range of solutions you will consider as you assess my company’s business situation?
- Can you share examples of the types of solutions you have provided for other clients? Why did you choose

those particular solutions, and what were the general results achieved?

- Who will make up the program team and will my company have any control over who gets placed on the team?
- What percentage of your services are performed in-house versus outsourced? What services are outsourced and why? How long have the outsourced partnerships been in place, and how many and what kind of programs have you worked on together?

### Interviewing a Supplier's References

The most foolproof method for validating the capabilities of a performance improvement provider is through interviewing several of the firm's present or former clients. Ask these questions:

1. What was the nature of your firm's marketing or performance improvement challenge?
2. What was the quality of the expertise that this supplier brought to bear on the problem?
3. Did the supplier demonstrate or develop and in-depth knowledge of your industry?

4. How well did the supplier listen to your concerns and understand your needs?
5. Did the supplier provide an innovative approach to your business challenge?
6. Was the supplier fair and upfront in its business practices and pricing?
7. Did the supplier become a true added value to your organization's mission and process?
8. Did the supplier meet the mutually agreed-upon deadlines?
9. Did the supplier help you meet your goals?
10. Do you intend to continue using this supplier?

### What Makes a Good Supplier: Final Screening Tips

- Decide what you are looking for in terms of strategy, tactics, logistics, or all three.
- Does the supplier participate in industry associations? Education and research efforts?
- Check the supplier's tenure in the business.
- Ask for case studies that cover issues, solutions, and results.
- Ask for client testimonials.

*A key indicator during the process: To what lengths has the supplier gone to understand the client's business?*

- Perform an on-site visit.
- Meet the rest of the supplier's team, beyond the salesperson.
- Don't choose solely on price. Make quality a criterion.

Buyers also should ask: Are we trying to establish a budget to match the results we want? Or are we trying to buy servi

RESEARCH	DESIGN	FINANCIAL MODELING	MEASUREMENT & ANALYSIS	PROGRAM MANAGEMENT	CREATIVE COMMUNICATION	PROGRAM ADMINISTRATION	MERCHANDISE AWARDS	ORDER SERVICE/CUSTOMER SERVICE	GROUP TRAVEL	OTHER AWARDS
<b>FULL-SERVICE INCENTIVE</b>										
<b>INCENTIVE FULFILLMENT</b>										



Core PI business methodology and consistently delivered with a high level of expertise



Not a core competency delivered inconsistently

ces to match an established budget line item?

Bottom line: Buyers should seek to optimize the information flow between themselves and their potential partners. And they should remember that they are investing in human capital, not buying widgets. Don't look for deals; look for programs and processes that create sustainable shareholder value.

## PERFORMANCE IMPROVEMENT COUNCIL (PIC) A Strategic Industry Group within IMA

Members of the IMA Performance Improvement Council are companies that offer their clients full-service performance improvement solutions with measurable results. Visit [www.thepicnow.org](http://www.thepicnow.org) for more information on the expertise and services these companies offer.

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