

Rewarding Service Success

Written by Administrator

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Managers put great store by reward and recognition schemes to motivate staff and keep their energies focussed on the customer. Sometimes pay issues can provoke a lot of sound and fury. Is this faith justified? What makes the difference between success and failure? What distinguishes a soundly constructed reward and recognition strategy? This article will explore elements of how to:

1. Develop a good understanding of the role of reward schemes in motivating a workforce
2. Understand the context in which a scheme works
3. Choose the most appropriate rewards and incentives
4. Deploy a reward and recognition strategy to meet customer experience goals.

Attention to reward and recognition is no longer just a job for specialists, it is part of every service manager's repertoire.

First things first

Reward is intended to motivate. If only we knew enough about the motivation process, however imperfect our knowledge might help us answer some key questions : What makes people work well and energetically for the customer? What processes and strategies will help to achieve this aim? A guiding principle should be to become more knowledgeable about what drives people. Motivation is a complex process and almost certainly payment and reward will be only one factor. What we do know is:

1. Motivation comes from within; it is drawn out of individuals not imposed on them
2. Motivation is multi-dimensional and there is no single universal answer, true for all time and all people
3. Some things motivate and encourage extra effort; others only cause dissatisfaction by their absence
4. Clear goals are an aid to motivation: they enable individuals to know what to aim for, and feedback gives an energising sense of progress
5. The 'stick' and the 'carrot' are both useful, but increasingly 'carrots' are seen as generally more effective to foster sustaining motivation.

Any reward must be part of a total approach to reward and recognition. One of the authors conducted extensive employee survey motivators for a computer software company. The clear answers back 'Please say thank you more often'. Countless surveys say the same: that specific, positive attention is worth a lot to many people. A letter from the Managing Director, a

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public recognition with a token recognition costs very little except management time and effort.

Clarify the aims of the scheme

A scheme may be set up for a variety of reasons. It is valuable to clarify the key priorities, for example is it:

1. To foster commitment to service?
2. Improve organisational or individual performance?
3. To encourage flexibility or team-working?
4. To promote culture change?
5. To put effort into areas of added value?

Time spent in the early stages clarifying what is required of a scheme is time well spent, since the outcomes will affect a lot of the subsequent design. When devising incentive schemes, managers should consider carefully whether to reward the unit, teams or individuals. By rewarding the larger unit, employees are likely to become fully involved in meeting its key goals, including co-operation with other groups in the unit. Rewarding teams encourages collaboration and achievement of team goals and has grown in popularity in recent years. It can, however, be said to discourage recognition of individual effort; it works best in mature, easily identifiable teams who are inter-dependent for much of their work.

Rewards should be targeted but they need to take account of the complexity of customer experience so that targeted improvements are not at the expense of other aspects of the business. For example, a roadside breakdown service organisation paid a bonus to call centre teams if they attained the advertised 90% of breakdowns reached in the hour. It led to teams calling in expensive contractors to meet the target and also diverting patrol vans to service those who fell within the hour deadline at the expense of those who had waited longer than an hour.

Virgin Direct aims to include in its customer satisfaction measurement both hard measures of customer satisfaction such as speed of telephone response and soft measures such as enthusiasm. This acknowledges the danger of choosing easily measurable aspects and avoiding difficult but important aspects.

DHL judged that an important way for it to retain customer loyalty in a fiercely competitive

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market place was to foster innovation and improvement. It targeted improvement in the immediate work area and focused on three target groups. The individual making small suggestions received a token award and the chance of a draw for a holiday. The work team had the chance to present the suggestion to top management and win a luxury holiday with a partner and the outstanding individual could be nominated by customers or those inside the organisation, again to win a holiday.

Take Account of Context

Simply importing a scheme from another organisation is unlikely to work well. Care must be taken to ensure that the recognition is a good 'fit' and is seen as fair. A large retailer introduced a service excellence scheme for all the front-line staff. This caused resentment amongst warehouse staff who were not included in the programme

In Harrah's Casinos each year the chairman's awards recognise exemplary performance in ten categories:

1. Star entertainer
2. Superior external customer experience delivery
3. Superior internal customer experience delivery
4. Delivering 100% satisfaction guarantee
5. Leadership
6. Innovation
7. Excellence in managing people
8. Outstanding team performance
9. Cost savings / revenue generation
10. Community service

The scheme is delivered with much celebration and congratulation as befits the style of the operation, but what is valued is very clear.

Organisations who devise customer experience reward and recognition schemes, should consider carefully the messages they send. Sun Express pays 70% of its commission to telesales staff on an individual basis, but to promote team co-operative behaviour it also pays 30% on a team basis.

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Awards need to harmonise with the values of the organisation. Pizza Hut rewards its staff on the basis of its 10 well-communicated values - customer focus, belief in people, recognition, coaching and support, accountability, excellence, positive energy, teamwork, openness and integrity. An environmentally conscious wholesaler offered managers attractive incentive prizes. These failed because of the team and egalitarian culture; managers were being rewarded as individuals not their teams. Virgin Direct stresses to its employees the values of fun, job satisfaction and making a difference to people's lives. Its communications and its awards are given in this vein.

Development of a reward and recognition scheme

Reward and recognition processes help to focus attention on priorities. Victoria Wine retail outlets have regular contests among their small teams to focus attention on key areas - such as customer satisfaction and the quality of window displays. Victoria Wine is one of many organisations to adopt reward and recognition schemes, which run alongside performance management techniques to encourage excellent service. Best practice organisations integrate the whole process of reward and recognition into performance management and to the business strategy.

Are you measuring the right things?

Until the 1980s financial measures were business driving force. Now it is common-place to measure too much. Organisations spend too much time and effort quantifying everything, and too much data abounds. It is not unusual to find organisations analysing Economic Value Added, Balanced Scorecard, Business Excellence, Activity Based Costing. One manager summed it up when he said : 'We measure the wrong things to four decimal places of accuracy'.

If you are going to link a reward and recognition scheme to existing performance measures, some key questions to ask are :

- Are the measures financial or non-financial?
- Long-term or short-term?
- Backward looking or forward looking?
- Are there many measures or only one or two?
- Are the measures linked together or unrelated?
- Are the measures clear and straight forward?
- Are they focused on the customer or internally focused?

The type and basis of reward needs to be given careful consideration. The two main reward mechanisms are skills and competencies-based pay, and performance-related pay. On top of this are recognition and award schemes. Many organisations choose a mixture of these.

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Fundamental questions need to be asked around who is to be covered by a scheme, the basis of reward and recognition and the form and timing it should take.

For service staff performance related pay is very common as a proportion (though rarely more than 20%) of total pay and this helps to promote flexibility and focus, which can be very important for the customer

Incentives can have unintended consequences, for example a steel company wishing to reduce its accident rate built accident reduction targets into a payment scheme. This had the effect of reducing the reporting of accidents in order to protect payments. There are clear parallels with the service environment where lack of openness in reporting customer complaints can be a direct result of payment against recorded complaints.

Also don't expect any scheme to last forever- monitor regularly to introduce boosters and refinements and at some point to launch a completely new scheme.

Challenging questions

Answer these questions to assess the current effectiveness of your reward and recognition process.

1. Is the reward system truly set to meet customer needs?
2. Are payments made according to primarily internal or external criteria?
3. Is the basis for reward clearly defined and sufficiently understood?
4. Are incentives achievable, neither too easy nor too hard?
5. Are the right customer behaviours being translated into rewards and recognition?
6. Is the line management skill level sufficient for the scheme to operate as intended?
7. Is the scheme reviewed and modified periodically?
8. To help address these questions you should consider these key points:

Responding to these questions

Get buy in through involving your staff

Secrecy in reward structures breeds lack of trust and poor respect. Well-conducted staff-surveys are a critical means to pinpoint areas to work on and strengths to develop. They may identify areas outside financial reward. For example an IT department of an insurance company valued its freedom, flexibility and interesting work far more than bonuses or length of

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service awards. This feedback helped to conduct the right incentives for that group.

Involve your customers

Ensure you are clear what your customer's value otherwise you could end up rewarding the wrong things. Also you should consider involvement of customers in the reward and recognition process, though care should be taken that this does not lead to distortion and invalid data.

Link to customer satisfaction

Bonuses are often linked to profit achievement, meeting personal service-related objectives, and some have a team as well as a personal component. They are payable quarterly in some instances, others six monthly or annually. Fifty per cent of IBMs sales staff bonus is based on the customers views of the salesperson, reflecting the importance of service. A UK drinks company links manager's pay increase to service as well as financial objectives.

To keep customer issues high on the agenda, Kwik-Fit publicise letters which customers have written. It rings up customers on a daily basis and publicises the results internally in monthly reviews. At service excellence award winner Marconi Radar and Defence Systems, a customer database is freely available to all employees listing customer compliments, perceptions and complaints.

Recognise the internal customer

Consideration should be given to rewarding supportive internal co-operation since many organisations neglect the needs of the internal customer to their cost. Yet a lot of the frustrations of front-line service staff can be traced back to the departments who support them. These departments are often far removed from the external customer and may well put up defensive barriers, which hinder free-flowing processes.

Case Study

Asda

In the early 1990s, Asda the supermarket chain faced a life or death challenge. It needed to revive its business to make it more customer and people focused and to bring it back into profit. Its success is now well known. One of the foundation stones in Asda's road to recovery was the development of a comprehensive reward and recognition scheme. Designed to motivate the workforce and focus them on the customer, the programme had various elements. The first was a reward scheme called the ABCD award (Above the Call of Duty) which was based on customer and manager nominations. It also:

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1. Generated ideas using a 'Tell Archie' Suggestion Scheme
2. Targeted groups such as 'Golden Greeters' and 'Checkout Champions Award'
3. Injected fun, and energy into serving the customer.

Asda reported that the development and success of the programme had been a significant factor in the success of its whole business change strategy and in helping to generate a climate of greater openness, sharing and understanding.

Case Study Banking Group

A banking group sought to break away from the dead hand of the past. Rewards were hush-hush and out of touch, deemed top down and not particularly related to the customer interface skills required. A major reward review took place as part of wider business restructuring, aimed at taking employee perceptions into account to form a strategy, which consciously involved and communicated with employees, yet addressed business and customer needs.

Six months of consultation involved an attitude survey, video updates and focus groups. This led to the original proposals being modified. For example, there was employee concern that pay was out of step with the market and new pay ranges were introduced following a thorough market survey which related salaries to the separate specialist markets served and also made much clearer on how to be promoted to reach grades. Regular attitude surveys since these changes reinforced that satisfaction with pay and benefits arrangements had improved considerably. Confidence in the reward scheme helped to develop more ownership and involvement in the business of serving the customer.

Conclusion

Reward and recognition systems must be embedded in the way of managing and the culture of the organisation. But they must also look toward the customer and not reinforce outdated practices. Many organisations set up reward schemes, which are insufficiently related to meeting customer needs, fail to measure key criteria and do not motivate as intended. To be truly successful, each team and every individual should be paid against clear customer-focused standards and achievements celebrated.

Reward and Recognition Checklist

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I	Yes	No	More Work Needed
Aims clear			
Targets and standards clear and understood			
Participants can influence performance			
Buy-in from key stakeholders			
Links established with rest of HR processes, such as performance management, training			
Criteria for rewards clear			
Communication and training carried out			
Means of measurement effective			
Administration fair and consistent			

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