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Amgen & Avnet

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Mary Kennett, Amgen's senior
manager of human resources

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Getting an “A” in Engagement

BY LEO JAKOBSON

In the past few years, employee engagement has become one of the biggest and fastest-growing management trends, and with good reason: There is ample evidence it works. While part of this is common sense—an engaged employee is almost by definition a happier, more productive employee—hard numbers back it up as well.

As part of its 2007-2008 Global Workforce Study, consulting firm Towers Perrin surveyed 90,000 employees in 18 countries about a number of topics, including what drives engagement—the desire and willingness of employees to go the extra mile in their jobs, to put in discretionary effort. While the firm came up with a number of answers about how companies drive engagement, the most eye-catching part of the survey was why. Towers Perrin compared the financial results of 50 multinational companies. In the course of one year, the companies with high employee engagement posted a 19 percent increase in operating income and a 28 percent increase in earnings per share; conversely,

those with poor employee engagement scores saw operating income decline by nearly one third, and earnings per share drop 11 percent. More broadly, the firm has concluded that a 15 percent improvement in engagement will cause a 2 percent improvement in a firm’s operating margin.

“For a *Fortune* 500 company, two percent equals billions of dollars in shareholder value,” says Eric Mosley, CEO of Southborough, Mass. and Dublin, Ireland-based Globoforce, which specializes in global recognition programs designed to drive engagement. “What was a small topic of interest to a few progressive companies a few years ago now is across the board. When people believe something will provide business benefits, they will get involved.”

While the incentive industry has traditionally focused on sales programs that recognize the best employees, generally the top 10 to 20 percent, this new focus on employee engagement is clearly driving a change. For one thing, it focuses on every employee, sales and non-sales alike. For another, it frequently

What do Amgen, a biotech-driven pharmaceutical company, and Avnet, a distributor of high-tech parts, have in common? World-class global recognition programs



Mary Kennett, senior manager
of human resources



Mary Kennett headed up the launch of Amgen's Bravo! recognition program, which succeeded in record time. Here, she talks about the program at Recognition Professionals International

involves peer-to-peer recognition, not just top-down recognition by management. An engagement-targeted recognition program seeks to shift “the ability to reward discretionary effort to the employees,” Mosley says.

“In many ways, sales incentives are completely independent of employee

“Amgen had a culture of recognition, but did not have the tools to recognize people on a global basis.” –Mary Kennett, Amgen

recognition and engagement programs,” Mosley says. “Sales incentives are part of every company’s sales strategy, and always will be.” Recognition programs, on the other hand, “operate independently of sales incentives,” he adds. “They have different business objectives. They have no effect on sales incentives’ budgets.”

So what are engagement programs’ objectives? “An engaged employee performs better,” says Steve Church, the senior vice president and chief human resources development officer of Avnet, a distributor of computer and electronic components and a Globoforce client. “They stay longer and they’re your best

recruiters. They go above and beyond. They perform better so the company performs better.” And as the company performs better, “there are more opportunities for advancement, [employees’] compensation is better, and there is a sense of winning, of succeeding in the marketplace,” Church adds. “What does that do? It builds

more engagement. If you think about it, it’s sort of a symbiotic relationship, and that’s what we’re trying to accomplish.”

If that sounds like a difficult task for any company, try doing it at a multinational with offices spread around the globe—often with employees who speak different languages and even have different cultural sensitivities. In this article, *Incentive* will look at the employee engagement and recognition programs of two companies that have very little in common besides a global workforce and an executive team convinced that an engaged workforce is an invaluable asset.

Amgen: A culture of recognition in record time

A \$14.8 billion biotechnology firm with a strong research and manufacturing capability, 28-year-old

The Five Tiers of Amgen’s Bravo! Program

Tier I (Appreciation):

An e-mail-based thank-you any employee can send to recognize colleagues for a great job through the Web-based Bravo! program.

Tier II (Applause):

A peer-to-peer recognition award given for an accomplishment above and beyond expectations. Message is accompanied by a \$40 electronic gift card issued through Globoforce (a local standard of living index varies the actual award amount in different countries). No managerial approval is required.

Tier III (Acclaim):

Anyone can nominate an employee or team for this award level for above-and-beyond behavior that impacts a large group. The value ranges from \$100 to \$500, and an award wizard helps determine the appropriate value. A business leader must approve it.

Tier IV (Accolade):

This award tier uses a larger cash award for actions that have a functional impact on all company operations. It is being transitioned onto the Globoforce award platform. Executive-level approval is required.

Tier V (Apex):

Usually given to an individual rather than a team, this award comes with a substantially larger cash award (again, it is being transitioned to the Globoforce platform), for actions with the highest material impact on company performance. High-level nomination is required, and winners are selected by executive management and approved by the CEO.

Amgen needs an engaged workforce more than many other companies do. After all, a huge part of its business is based on employees inventing something new—drugs to battle cancer, kidney disease, rheumatoid arthritis and other serious illnesses—and then manufacturing it flawlessly. Additionally, the company's marketing and distribution employees work in an exceptionally regulated field, and one in which regulations can vary widely from country to country.

Headquartered in Thousand Oaks, Calif., Amgen employs 17,000, scattered throughout North America, Europe, Asia and South Asia, Australia and the Middle East. Yet until it launched the Bravo! global recognition program in April 2007, each part of the company had (or did not have) its own recognition program. There was no consistency in terms of the behaviors incentivized or the awards given.

That was less than ideal in a company in which employees frequently team up with people from different areas for specific projects, says Mary Kennett, Amgen's senior manager of human resources and the Bravo! program leader. "Amgen had a culture of recognition, but did not have the tools to recognize people on a global basis," she says. "We needed a tool to keep the staff engaged [and provide recognition] in a timely manner, so that the recognition occurs close to the accomplishment and reinforces that accomplishment and behavior."

In fact, after an extraordinarily successful first year, 44 percent of the Bravo! awards handed out—via both peer- and management-nomination—are for work in cross-functional teams, says Kennett. "A few years ago, that is something we would have had trouble with," she adds. "Consistency was also a huge factor," in the decision to launch the Bravo! program.

The Bravo! program has five tiers, ranging from an e-mail-based "thank you" message any employee can issue to any other, to an award with substantial value, with winners selected by senior executives. The program was heavily promoted at the launch, and communication continues in methods like the company newsletter. To

assist nominators in choosing the most appropriate of the five award tiers (see sidebar, page 4), there are examples of recognition-worthy behavior on the Bravo! Web site, which is currently available in seven languages, with more being brought online.

Before creating the program, Amgen thought hard about the behaviors it wanted Bravo! to reinforce. Basically, Kennett says, it is designed to "create business outcomes that impact our company and improve people's lives. [Winners] really have to be living the Amgen values."

Defining your goals is critical, Globoforce's Mosley says. "Amgen was able to put a program in place and change a culture in a very short period of time," he adds. "I find in virtually all employee recognition programs, the initial program managers are from human resources. The difference between a successful and unsuccessful program is that [executives] outside HR have a crystal-clear image in their heads of how this will work." Benchmarking and regular reporting are vital, he adds.

So far, the results have been excellent, says Kennett. Fully 85 percent of Amgen's employees have either nominated a coworker for a Bravo! Award, sent an award or have received one themselves, resulting in 45,000 awards in the first full year of operation. Amgen reached its goal—to have between 5 and 8 percent of its employees nominated for an award on a weekly basis—faster than any client ever has, Mosley says.

According to research conducted by Globoforce and Intuit in conjunction with the Stanford Graduate School of Business, that 5 to 8 percent of the workforce per week being recognized or nominated for recognition is "the tipping point between a forgettable recognition program and one that becomes strategic and part of the fabric of the company," says Derek Irvine, the vice president of global strategy at Globoforce.

"Consistently across the board, successful programs were showing five to eight percent nomination on a weekly basis. That is the point at which it became a day-to-day activity that nine out of ten employ-



Avnet believes improving employee loyalty will improve its customers' loyalty as well

ees know about. It has become a benchmark for us."

Avnet: Building ground-up support for recognition

Avnet is different from Amgen in a number of ways. A distributor of electronic components, computer products and software, as well as technology products and services for more than 300 leading manufacturers, Avnet does not invent or manufacture products, although it does put some products together for clients. But it is largely a middleman, a supply-chain specialist. Headquartered in Phoenix, the \$15.7 billion firm has more than 300 offices in 70 countries around the globe. Compared to Amgen, Avnet is rolling out its global recognition program using a slower, more step-by-step approach.

At the beginning of the year, says Church, Avnet's chief HR development officer, the company had just expanded its North American program beyond length-of-service and birthday awards to include a Web-based, peer-to-peer recognition program that lets employees send "thank you" messages to other employees. And it was preparing to roll those programs out globally. The next step is to allow managers to give out gift cards in nominal amounts—probably up to \$100, he says. "We're going to run that for a while and see how it goes,"

“An engaged employee performs better. They stay longer and they’re your best recruiters. They go above and beyond.”

—Steve Church, Avnet

Church says, adding, “I already know what’s going to happen: Our managers are going to say, ‘This is awesome, what else can we do with this?’”

Culturally, that’s how Avnet works, Church says. “We start with something that we believe will work everywhere, we let people use it and see the value of it.” Then the company will expand the program, building out more features as demand arises, rather than launching the program in one fell swoop, as Amgen did. That said, once the concept is accepted within the company, Avnet tends to add features quickly.

Another “one of the areas where we differ a little bit is we don’t really look at this whole topic as trying to create a recognition culture,” says Church. “Avnet already has a culture, and it’s a performance- and values-based culture. We view recognition as extremely important, but we view it in the context of driving performance management and driving engagement,” he adds. “That’s what we’re really trying to accomplish.”

In fact, this is something Avnet has been working on for as much as five years, Church says. “We’re pretty far down the road: We’ve trained all of our managers, they understand why it’s important, they know what the

drivers of engagement are. We also have done a lot of work to understand that [those drivers] are different by region. There are some that are common, but some of the things that drive engagement in Europe and Asia are different than they are in North America.”

Church admits that Avnet’s recognition programs have not, until now, been global. “There was no consistency and no uniformity,” he says. He found “some managers

are very good at it and do it in the regular course of their work, and some managers don’t do it at all. Some managers do it by sending flowers to the employee’s home or telling them they can take their wife out to dinner, some do it by recognizing people at a staff meeting, some do it by walking around and shaking people’s hands, looking them in the eyes and saying ‘thank you,’ and some managers do it by giving away gift cards.”

The problem, Church adds, is that Avnet does not “know to what extent this is taking place. It’s all sort of ad hoc, and because of that, we don’t know how much we’re doing and we can’t measure it, we don’t know how much money we’re spending on recognition.” Most importantly, he adds, the company couldn’t measure return-on-investment.

As for that, Avnet uses Watson Wyatt to run its employee engagement surveys and another company to compile global customer satisfaction data. “We want to look at the relationship between engaged employees and loyal customers,” Church says. In a service business, the model is that “engaged employees get you loyal customers, and we want to test that out, as well as drive behavior.” ■



Electronics distributor Avnet is taking a step-by-step approach to building a recognition program



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