



NORTHWESTERN
UNIVERSITY

Forum for People Performance Management & Measurement

EXECUTIVE SUMMARY

Linking Performance Strategies to Financial Outcomes – The Interaction between Marketing & Human Resources and Employee Measurement & Incentives

OVERVIEW

A survey among 175 corporate executives was undertaken in late 2003 by the Forum for People Performance Management and Measurement to study the relationship of the marketing and human resources functions in motivating the behaviors of customer-contact employees and the impact of that behavior on organizational performance.

This study specifically investigated the following issues:

- Value of the interaction between Human Resources and Marketing
- Importance of top management's customer orientation
- Most valued communications tools for customer-contact employees
- Most useful employee performance evaluation tools
- Most effective motivational tools for top performance

This Executive Summary provides an overview of the key findings from the study and then provides more specific data to support these findings. Please see Appendix A and B for a complete summary of survey results.

SUMMARY OF KEY FINDINGS:

Key findings from the study include the following:

- Marketing & HR do not communicate as effectively as they should, and both groups recognize this.
- There is wide disagreement between HR and Marketing on who the key customer contact employee is.
- Higher performing firms do a better job of sharing corporate goals with customer contact employees.
- There is a high degree of correlation between marketing integration and customer orientation by customer contact employees.

- Higher performers better understand the importance of treating customers well than lower performers.
 - An open, networked corporate culture is predictive of overall performance.
 - Higher performing firms measure customer satisfaction to a greater degree than lower performers.
 - Higher performing firms measure employees on customer satisfaction and sales goals to a greater degree than lower performers.
 - High market performers incentivize their employees based on customer satisfaction and low performers do not.
 - Marketing places a higher value on printed newsletters and 1-on-1 meetings than HR.
 - No specific incentives predict performance, but the most popular incentives are bonuses and recognition awards.
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BACKGROUND AND THEORETICAL UNDERPINNINGS OF THIS RESEARCH

What is the Forum for People Performance Management and Measurement?

The Forum for People Performance Management and Measurement is a research center within the Medill Integrated Marketing Communications (IMC) graduate program at Northwestern University. It is funded by the Incentive Performance Center, which is made up of a number of top incentive companies and industry leaders dedicated to research and educational programs that improve human performance in business. A central objective of the Forum is to develop and disseminate knowledge about communications, motivation and management such that businesses can better design, implement and manage people-based initiatives both inside and outside an organization.

A number of research initiatives by the Forum are planned over the next three years to investigate the value and importance of employee incentives along with the other key issues of communications, motivation, and management.

Past Research:

A number of studies exist that address the issues of incentives, employee motivation, and organizational performance. Unfortunately, few of them measure and link all three issues simultaneously, and those that do, are rarely published because of their proprietary nature.

The only published study that definitively established the connection between the three was published in the *Harvard Business Review* in 1998¹. Titled, "The Employee-Customer Profit Chain at Sears," the study among 800 Sears stores found that a 5% increase in employee

¹ Rucci, A.,J., Kim, S. P., and Quinn, R.T., "The Employee-Customer Profit Chain at Sears," *Harvard Business Review*, 1998, 76 (1), 83-97.

attitude scores resulted in a 1.3% increase in customer satisfaction scores as well as a .5% increase in revenues. But even that study failed to identify which incentives were the most motivating or what type of organizational structure or communications activities were most effective.

Two other important studies have been recently published that raise important issues that need further investigation. A 2002 research report by the SITE Foundation² indicates that, despite a \$27 billion annual corporate expenditure on employee incentives in the U.S. and more than 100 years of research on the value of these expenditures, there continues to be a high degree of controversy about the impact and value of such tangible incentives as cash, merchandise, and travel in motivating employees. That study, which undertook a review of more than 60 research studies, concluded that, despite the existence of research that suggests that tangible incentives can be demotivating to employees³, work performance can be increased along with interest and enthusiasm for work when the incentives are carefully chosen for the appropriate objective.

The second study that motivated this current study was undertaken in the United Kingdom in 2002 on the importance of inter-functional coordination between the marketing and human resources departments for the attainment of organizational goals⁴. The study, citing marketing expert Phil Kotler⁵ (1991), asserts that "... the marketing department's effectiveness depends... on how well its personnel are selected, trained, directed, motivated, and evaluated," which implies a very close dependence on and cooperation with the HR function. That study, among other things, found that top performing firms had better organizational integration and cooperation between the marketing and human resources departments than in the poor performing firms.

This current Forum for People Performance study is an attempt to add to the compelling evidence of these previous studies by specifically inquiring about a number of organizations' customer and marketing philosophies and linking them with their organizational and communications activities, their incentive and motivational practices, and their financial performance.

2 "Incentives, Motivation, and Workplace Performance: Research and Best Practices," (January 2002), sponsored by The International Society for Performance Improvement and funded by the Society of Incentive and Travel Executives (SITE).

3 Deci, L.E. (1971). "Effects of Externally Mediated Rewards on Intrinsic Motivation," in *Journal of Personality and Social Psychology*, 18, 105-115. Deci, L.E. (1972). "The Effects of Contingent and Non-contingent Rewards and Controls on Intrinsic Motivation," in *Organizational Behavior and Human Performance*, 8, 217-229. Lepper, M.R., Greene, D. & Nisbett, R.E. (1973). "Undermining Children's Intrinsic Interest With Extrinsic Rewards: A Test of the Over Justification Hypothesis," in *Journal of Personality and Social Psychology*, 23, 129-137.

4 Chimhanzi, J., and Morgan, R.E. "Explanations from the Marketing/HR Dyad for Market Competitiveness: A Perspective on Marketing Strategy Implementation Effectiveness and Market Performance in Service Firms," presented at the 2002 American Marketing Association Winter Educator's Conference. Also referred to as the "U.K. study" in this report.

5 Kotler, P., *Marketing Management: Analysis, Planning and Control*, 8th edition, p 71. McGraw-Hill, New York, NY.

METHODOLOGY & RESPONSE

Method:

A mail survey consisting of 37 multi-part questions (see Appendix A) was mailed to a total of 4,139 recipients on 30 July 2003. Approximately half were mailed to marketing managers from names provided by InfoUSA and Dun&Bradstreet. The remainder were mailed to HR managers, whose names and addresses were acquired from the Society of Human Resources Management. A follow-up postcard was sent approximately two weeks later, on 10 August 2003, as a reminder to return the survey by mail. A total of 175 completed surveys were returned and analyzed. This represents a 4.22% response rate (175/4139), which is similar to response rates for consumer surveys where the addresses are obtained from third-party providers and it is impossible to control attrition and relocation.

A profile of the respondents' firm and individual characteristics is provided at the end of this report.

RESEARCH QUESTIONS

Areas Investigated:

There were 14 overarching research questions explored around 12 dimensions of this study. (See Appendix B for the summary of the Dimensions of the Study.) To address the research questions, the study explored some of the same or similar hypotheses tested in the U.K. study (regarding inter-functional integration and communication and a customer orientation among top management) and the SITE study (regarding employee measurement and incentives).

Marketing and HR Response Comparisons

Marketing & HR Responses:

The first four research questions dealt with possible differences between how the Marketing and HR respondents perceive their departmental interactions, how well trained and informed the customer contact employees are, and who those employees are.

Departmental Interactions

1. Is there a difference in how Marketers and HR people report their departmental interactions? Q. 1-6

No. Both the Marketing and HR respondents had similar opinions about the relatively poor interaction and communication with one another (See Table 1). There was one exception, however.

- Question 3 asked if HR and Marketing think similarly on customer-related issues. While the mean response from Marketing was 2.753 out of a possible 5.0 (1=strongly disagree, 3=neutral and 5=strongly agree), the HR respondents were more optimistic, with a mean response of

3.122. This may indicate that while HR executives believe that they understand customer issues, the marketing executives feel that HR is not as knowledgeable as they should be.

Table 1 – Marketing and HR Interaction

	FUNCTION	N	Mean
Work together	V1REV 1.00 marketing	77	2.4286
	2.00 HR	83	2.2410
Communicate regularly	V2 1.00 marketing	77	2.9740
	2.00 HR	83	2.6747
**Think similarly on customer issues	V3REV 1.00 marketing	77	2.7532
	2.00 HR	82	3.1220
Discuss customer needs	V4 1.00 marketing	77	2.3247
	2.00 HR	83	2.4940
Sr. Mgmt encourages interaction	V5 1.00 marketing	77	2.9870
	2.00 HR	83	2.7831
Work together to motivate employees	V6 1.00 marketing	77	2.6623
	2.00 HR	83	2.5783

** Significant difference in responses between HR and Marketing

Training for Customer Contact Employees

2. Is there a difference in how Marketers and HR people report how well trained and informed the customer contact employees are?

No, there were no significant differences in the mean answers of both groups on Dimension 12 - Customer Orientation of the customer contact employees (Q. 7-10). Both groups are relatively positive and above the midpoint of the range on all questions (1=strongly disagree, 3=neutral and 5=strongly agree) (see Table 2).

Table 2 – Customer Orientation

	FUNCTION	N	Mean
Importance of quality customer service	V7 1.00 marketing	77	4.3636
	2.00 HR	82	4.3902
Care about serving customers well	V8 1.00 marketing	77	4.3506
	2.00 HR	82	4.4512
Receive formal training on customer interaction	V9 1.00 marketing	77	3.9221
	2.00 HR	82	3.8415
Feel importance of customer service	V10 1.00 marketing	77	4.3636
	2.00 HR	82	4.3780

Ranking Customer Contact Employees

3. Do marketers and HR people differ in whom they rank as the primary customer contact employees? (Q. 23 & 24)

Yes, there is an interesting difference in how the two groups rank the first and second most important customer contact employees.

With the two groups combined, 33% of respondents ranked Sales Reps as the most important customer contact employees (57 out of 172 respondents). Professional Service Reps were named most important by 46 respondents, or 27%.

However, breaking respondents out by functional area, one can clearly see a difference in viewpoints about who is the most important. Marketing sees sales reps as the most important contact person (46%) with customer service reps a close second (42%). HR, however, reports a very different ranking, with 73.5% ranking customer service reps as the most important and sales reps a distant second, at 20.5% (See Table 3 for details.) This difference should be explored further, since it could indicate a serious gap that could have repercussions for training, resource allocation, and job placement.

Marketing rank:

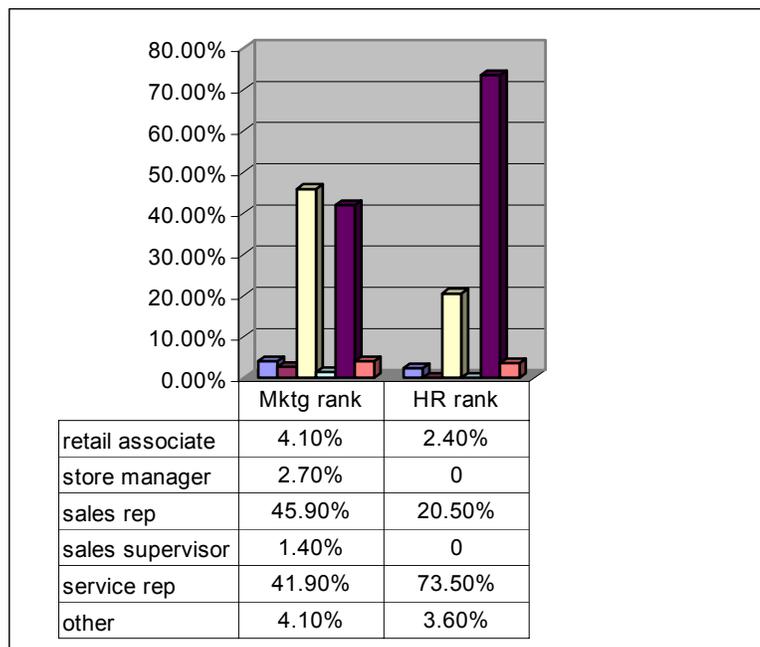
#1=sales reps, #2=service reps, #3=other

HR rank:

#1=service reps, #2=sales reps, #3=other

Chart 1 – Most Important Customer Contact Employee

Discrepancy Between HR and Marketing on Who is the Most Important Customer Contact Employee



Communications Tools

4. How do Marketing and HR people value various communications tools? (Q. 22 a-g)

Group meetings, email announcements, and printed newsletters were the most widely used communications tools, with 94% of all respondents using group meetings, 93% using email announcements, and 78% using printed newsletters.

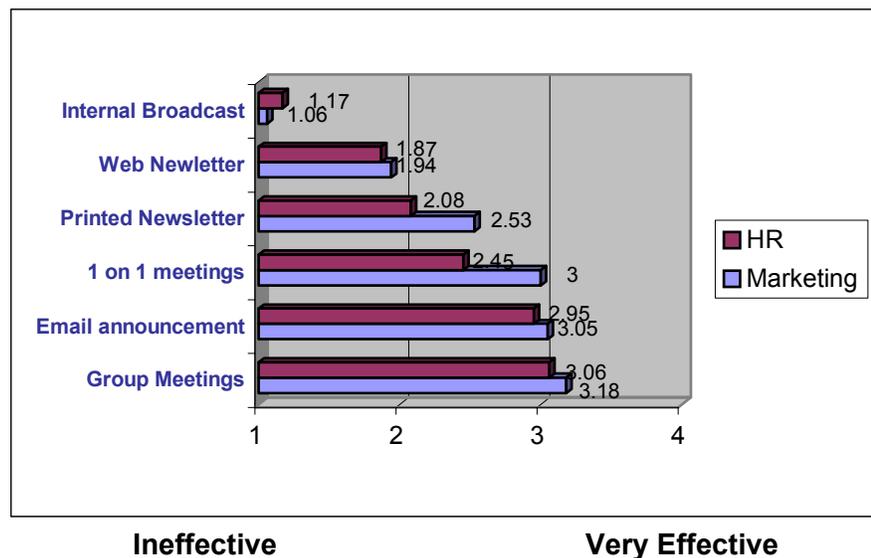
Regarding the effectiveness of various communications tools, there was little difference in the responses from Marketing and HR personnel. Both groups responded at or above the midpoint of 2 within the 4-point scale (from 1 = “not effective at all” to 4 = “very effective”) for all tools except internal broadcast and web newsletters, which both averaged below the midpoint on effectiveness.

There were only two tools where the responses from the two groups were statistically different. Marketing found printed newsletters and one-on-one meetings more effective than the HR respondents. Interestingly, however, for every communication tool, except internal TV broadcasts, Marketing rated the tool more effective than HR did. (See Chart 2 for details.) This may indicate that Marketing is more likely to find any type of communication more valuable than HR, perhaps because they feel a greater need for information.

Effectiveness of Communications Tools by Marketing and HR

Chart 2 - Effectiveness of Communications Tools for Disseminating Information to Employees

Statistically significant differences on Printed Newsletters and 1-on-1 meetings



Measuring Employees on Customer Satisfaction

- 5. Do firms that report a high degree of interaction between Marketing and HR do a better job of measuring customer contact employees on customer satisfaction and customer metrics?**

Yes. There are some significant correlations between the questions relating to Marketing and HR interaction (Q. 1-6) and measuring employees on customer satisfaction (Q. 9a) and measuring employees on customer numbers and sales objectives. (Q. 9b). This is a significant finding, since Question 10e below explains that there is a link between financial performance and measuring employees on sales objectives. Therefore, there is an implied indirect link between strong interaction between the Marketing and HR departments and financial performance.

Senior Management's Emphasis on Satisfying Customers.

- 6. Do HR & Marketing departments agree on how much importance senior management places on satisfying customers?**

For Q. 12, both HR and Marketing respondents reported well above the midpoint of the range on this question, but Marketing was less optimistic than HR on the importance that senior management places on satisfying customers. For this question, with a Range of 1 – 5, the mean of the Marketing respondents was 4.51 (N = 77), while the mean of the HR respondents was 4.76 (N = 83). (The difference in these means is statistically significant at the .99 confidence level.)

Relationship of Marketing Integration and Customer Orientation

- 7. How important is Marketing Integration to an organization's customer orientation?**

Dimension 2 – Marketing Integration – (Q. 13, 19a-e) deals with how informed customer contact employees are about corporate and marketing goals and activities. Dimension 12 – Customer Orientation – (Q. 7-10) deals with how customer contact employees feel about serving customers and how well the organization supports them in that endeavor.

The findings of this study show that there is a strong correlation between the responses to the two sets of questions, which suggests that for marketing integration to take place, management must first have a customer orientation.

High and Low Market Performers

8. Can we identify low and high market performers among the respondents?

Yes. For the research questions that centered around the impact of each dimension on firm performance, the respondents were divided into two groups – one high performers and one low performers – based on their answers to Questions 32 A and B.

These questions asked them to “indicate the extent to which (their) organization’s performance changed last year versus the previous year” for revenues and for profits. The response choices ranged from 1 to 5, with “1” being “decreased 5% or more,” “3” (the midpoint of the range) being “stayed about the same,” and “5” being “Increased 5% or more.” Cluster analysis was used to create the two groups and then mean scores for each group were compared to see if there was a significant difference between how high and low market performers responded on each of the dimensions of interest in this study.

Of the 161 respondents to these questions, 40% (64) clustered significantly below the midpoint of the range and were classified as “Low Market Performers.” Sixty percent clustered significantly above the range and were classified as “High Market Performers”

See Table 3 for the breakout of Low and High Market Performers.

Table 3 **High and Low Market Performers**

	Range	Low* Performers (Mean)	High* Performers (Mean)	Overall Mean
Q32a (1-YR REVENUE)	1 – 5	2.36	4.44	3.61
Q32b (1-YR PROFIT)	1 – 5	2.06	4.53	3.55
	N =	64	97	161

Difference between groups significant at .000

Performance and Interaction Between HR and Marketing

9. Do high market performers have a better interaction between Marketing and HR?

While the U.K study found support for the hypothesis that high market performers will display higher levels of Marketing and HR interaction than low market performers, this study did not find a direct link to performance.

There were no significant differences in mean scores between low and high market performers on the Dimension 1 – Marketing & HR Interaction (Q1-6). (See Appendix B). Both groups (low and high performers) reported below the midpoint of the range on these questions.

However, as was mentioned earlier in Question 5, there were significant correlations between Dimension 1 - Marketing/HR Interaction and Dimension 9a - Measuring Employees on Customer Satisfaction and Dimension 9b - Measuring Employees on Sales Objectives, and as will be explained below, these dimensions were found to have a direct relationship with organizational performance.

Differences in Performance on Other Key Dimensions (see Appendix B)

10. Can we identify how low and high market performers differ on the other key dimensions of this study?

Yes. See Appendix B for the mean responses on 11 of the 12 key dimensions of this study for low and high market performers.

The following hypotheses were explored regarding low and high market performers to compare results from the previously cited U.K. study that found significantly higher inter-departmental cooperation and organizational integration among high market performers.

Of the 12, there were six dimensions where there were significant differences in responses from the two groups:

- **Marketing Integration – Dimension 2** (Q. 13, 19a-e)
 - **Written Communications – Dimension 4** – value of printed newsletters (Q. 22a)
 - **Employee Incentives for Customer Satisfaction – Dimension 7a** (Q. 25C a, d, f)
 - **Corporate Culture – Dimension 8** (Q. 16, 21 b, d, e)
 - **Measuring Employees on Sales Objectives – Dimension 9b** (Q. 25B d, g, h, i)
 - **Measuring Customer Satisfaction – Dimension 10a** (Q. 17, 20a-c)
- In addition to these six dimensions, there was a seventh, **Senior Management Support – Dimension 6** (Q. 5), where there was near support.

Marketing Integration

a. Will high market performers display higher levels of marketing integration than low market performers?

- **Yes.** High market performers report significantly higher scores on Marketing Integration than low market performers. Low market performers' average response was 2.956, while high market performers' average response was 3.262 on a scale of 1 to 5, where a "1" indicates that customer contact employees are "not informed at all" on key marketing and corporate goals and strategies, and a "5" indicates that they are "very well informed."

Written Communication

b. Will high market performers rate the effectiveness of each of the three written communications vehicles higher than low market performers? (Q. 22a, b, c)

- This hypothesis is partially supported. High market performers reported higher effectiveness of printed newsletters than low market performers. They did not, however, find greater effectiveness in the other two written communications vehicles of web newsletters or e-mail announcements.

Employee Incentives for Customer Satisfaction

c. Will high market performers report higher levels for incentivizing customer contact employees for achieving customer satisfaction and sales objectives than low market performers? (Q. 25C a, d, f and 25C b, c, e)

- This hypothesis is partially supported. High market performers report a greater likelihood to incentivize employees for achieving customer satisfaction (a mean of 3.4 on a scale of 1 to 5) than low market performers do (a mean of 2.96). (The difference is significant at the .057 level.)
- But both low and high market performers report above the midpoint of the range for incentivizing employees for achieving sales objectives. (See Appendix B – Dimensions 7a and 7b). Both high and low market performers had a mean response of 3.7 regarding questions 25C b, c, and e, relating to incentives for exceeding sales targets, etc. So while both groups value this practice, it is not a predictor of financial performance.

Corporate Culture

d. Will high market performers report a more open, informal, networked corporate culture than low market performers?

- **Yes.** There is strong support for this hypothesis. There was a significant difference in mean responses from high and low market performers to questions related to how open, informal and networked their organizations are. High performers have significantly more informality and openness.

Measuring Employees on Sales Objectives

e. ***Will high market performers be more likely to measure employees on meeting sales objectives than low market performers.***

- **Yes.** While both groups are above the mid-point of the range (1-poor and 5=excellent) in their measurement against Dimension 9b - Measuring Employees on Sales Objectives (Q. 25B d, g, .h, and i), the high market performers had a significantly higher mean score of 3.8 than the low market performers with a mean score of 3.4.

f. ***Will high market performers score higher on Dimension 10a -- measuring customer satisfaction -- than low market performers?***

Measuring Customer Satisfaction and Customer Metrics

- ***And will high market performers score higher on Dimension 10a -- measuring customer satisfaction -- than on Dimension 10b -- measuring customer metrics?***

- **Yes on both counts.** High market performers report a significantly higher score for measuring customer satisfaction (mean = 3.7655 out of a possible 5) than low market performers (mean = 3.496). Additionally, when looking at only high market performers, there is a significant difference in their mean scores on how well they measure customer metrics (mean = 3.4244) compared to how well they measure customer satisfaction directly (mean = 3.7655).
- These findings not only show the importance of measuring customer satisfaction on financial performance, but it also indicates that high market performers place a higher value on measuring how satisfied customers really are with their products or services than using traditional sales measures to approximate customer satisfaction.

g. ***Will high market performers report a higher level of senior management support for encouraging Marketing and HR to work together than low market performers?***

Senior Management Support

- *While this hypothesis is not fully supported, it is close. The mean score of high market performers on Q. 5, which represents Dimension 6, Senior Management Support, is 3.0 on the 5-point range, while low market performers have a mean score of 2.7. The difference is statistically significant at $p < .10$, which means we are at a 90% confidence level of the finding, when we typically would prefer a 95% confidence level. Nonetheless, it is an interesting finding and relates well with the significant*

findings about the positive relationship between corporate culture and performance.

Some of the other hypotheses put forth from previous studies, especially the U.K. study, were not confirmed in this study. In some cases a direct relationship between the dimension and the financial performance of the organization could not be established, but there continues to be some support for an indirect relationship. Some of these key findings are:

HYPOTHESES NOT CONFIRMED

Interpersonal Communication

- **Support could not be found for the hypothesis that high market performers display a greater frequency of Interpersonal Communications (Dimension 3).** There is no significant difference in the mean scores between high and low market performers on this dimension, *which measured the frequency and effectiveness of one-on-one meetings reported by the two groups. There were also no differences in the two groups in the amount of interaction they had between Marketing and HR personnel.*

Conflict

- **Support could not be found for the hypothesis that high market performers will display lower conflict and greater cooperation with each other than low market performers.** Dimension 5, Conflict, was measured by comparing the mean scores on Q. 1, 2, and 3, which dealt with how independent the two functions are, how regularly they communicate with one another, and how differently they think about customer-related issues. Both low and high market performers had a mean response of 2.7 out of a possible 5, showing that some conflict does exist between the two functions, but that this dimension, by itself, is not predictive of organizational performance.

Measuring Employees on Customer Satisfaction

- **One of the more interesting findings from the survey results is that, despite the support for the earlier hypotheses that high market performers are more likely to incentivize their employees for achieving customer satisfaction (see bullet 9c above and Dimension 7a in Appendix B), and for actually measuring Customer's satisfaction levels (see bullet 10f above and Dimension 10a in Appendix B), there is no direct support of the hypothesis that high market performers are more likely to actually measure their employees' performance based on customer satisfaction (Dimension 9a) than low market performers.**
 - This dimension is measured by looking at the difference in how high and low performers responded on questions 25B a, b, c and e regarding how well their organizations measured employee performance on customer satisfaction. High performers had a

mean score of 3.8 and low performers had a mean score of 3.5 (out of a possible 5), and this difference is not statistically significant. This finding suggests that work needs to be done to improve employee measurement processes, even among the high performing firms, since they recognize the importance of measuring customer satisfaction, and incentivizing employees on customer satisfaction, but tend to actually measure the employees on more traditional sales objectives (Dimension 9b).

Survey questions 25C & 26C, 25D & 26D, and 25E & 26E dealt with the use of incentives for the first and second most important customer contact employees.

USE OF INCENTIVES

11. Which objectives are incentivized most often for the most important and second most important customer contact personnel? (Q. 25 & 26C)

- “Exceeding sales targets” was the most frequently cited objective for the **most important** customer contact employees (47% of the respondents said incentives were used either “sometimes” or “always” to motivate these employees).
- “Serving customers well” was the most frequently cited objective for the **second most** important customer contact employee. (45% of the respondents said incentives were used “sometimes” or “always” to motivate these employees).

Table 4 – Frequency of using incentives to motivate for these objectives (Q. 25C and 26C).

Marketing Objectives That Receive Incentives

Incentives Used for Customer Contact Employees

Marketing Objective	Incentives Used sometimes or always for most important customer contact employee	%	Mean	Incentives Used sometimes or always for 2 nd most important customer contact employee	%	Mean
25Cb. Exceeding sales targets	82	47%	4.139	53	32%	4.120
25Ca. Customer satisfaction	67	39%	3.220	57	34%	3.329
25Cd. Serving customers well	67	39%	3.376	74	45%	3.566
25Ce. Acquiring customers	60	35%	3.601	46	28%	3.704
25Cf Retaining customers	58	33%	3.277	49	29%	3.590
25Cc. Cross-selling other products	54	31%	3.723	35	21%	3.698

12. Which incentives are used to motivate the first and second most important customer contact employees? (Q. 25D and 26D)

- When asked to identify all incentives used, recognition awards were cited most often (29.5% of all incentives listed) and bonuses were cited second most often (26.9% of incentives listed).

Table 5 – All incentives used to motivate customer contact employees

Incentives	Q. 25D. Responses for Most Important Customer Contact Employee	Q. 26D. Responses for Second Most Important Customer Contact Employee	Percent of 836 Mentions
Recognition awards	140	107	29.5%
Bonus	118	107	26.9%
Promotion	63	57	14.3%
Commission	59	29	10.5%
Merchandise	46	33	9.4%
Travel	28	13	4.9%
“Others”	20	16	4.3%
Totals	474	362	100%

Most Widely Used Incentives for Customer Contact Employees

“Other” listed by respondents:

- Events (lunch, ball games, etc)
- Flex time
- Events
- A variety of gifts based on years of service
- Thank you notes
- Parties
- Ad hoc performance/process improvement groups
- Newspaper ads
- Gift certificate
- Cash
- Dinner
- Employee picnics
- Customer/ co-worker write-in cards
- Employee of the month
- Public Recognition
- Contest

13. What are the three most widely used incentives to motivate the first and second most important customer contact employees? (Q25Ea & 26Ea)

- When asked to narrow the list of incentive to the three most widely used incentives to motivate the first and second most important customer contact employees, Bonuses were cited as the most-used incentive (133 out of 257 first-place mentions (52%). Recognition Awards were cited more often as the second and third most-used incentives (78 out of 213 second-place mentions, or 37%, and 78 out of 152 third-place mentions, or 51%).
- When taking all three mentions into account, Recognition Awards and Bonuses are nearly tied, at 33% and 32% of the total incentives mentioned. Travel and Merchandise are cited the least often, at 3.5% and 5.5% respectively.

Use Of Monetary And Non-Monetary Incentives

Table 6 – Three most widely used incentives

INCENTIVE METHOD	Most used	2nd most used	3rd most used	Total mentions	% of total
Recognition Award	52	78	78	208	0.33
Bonus	133	56	10	199	0.32
Promotion	8	51	27	86	0.14
Commission	53	9	12	74	0.12
Merchandise	9	11	14	34	0.055
Travel	2	8	11	21	0.035
Total	257	213	152	622	100%

**RESPONDENT
CHARACTERISTICS**

14. Does the use of monetary or non-monetary incentives help to predict organizational performance?

- When considering only the most-used incentives to motivate customer contact employees (see “most used” column of Table 6) monetary incentives of cash bonuses and commissions were cited most frequently (133 and 53 respectively, or 72% of all first-place mentions). Use of these monetary incentives *is* predictive of membership in the high-performance group (at a 90% confidence level). But one should be careful in interpreting what this might mean. It could simply reflect the greater financial resources of the higher performing firms. Further investigation is necessary to determine if there is a causal relationship between the type of incentive used and performance.
- When considering the 1st, 2nd and 3rd most-used incentives together (see Table 6), the distinction between cash and non-cash is not predictive of financial performance. On average, high market performers use 2.42 non-monetary incentives and low market performers use 2.23 non-monetary in incentives. For monetary incentives, high market performers use 1.64 incentives while low market performers employ 1.39 monetary incentives. There is no statistical significance between either group mean usage.

Job Functions: Q. 33

The 175 respondents were high-level executives. In response to the question, “What is your job function?” 38% reported being in senior management or a senior executive. Another 39% were either directors or departmental managers, and 12% were supervisors or functional managers. Less than 10% classified themselves in a non-supervisory capacity.

Organizational Location: Q. 34

A total of 174 reported which organizational levels they represented:

106 (60.92%)	Corporate
23 (13.22%)	Strategic Business Units (SBU)
19 (10.92%)	Division
22 (12.64%)	Regional / Local
4 (2.30%)	Other

Departmental Functions: Q. 35

Of the 175 respondents, 83, or 47.70%, were in Human Resources; 73, or 41.95% were in Marketing; 7, or 4.02%, were in General Management; 3, or 1.72%, were in Sales, 1, or .57%, was in Customer Service, and 7, or 4.02%, classified themselves as being in some other department.

FIRM CHARACTERISTICS

Respondents' Work Experience: Q. 36 & 37

The majority of the 175 respondents were seasoned employees, with more than 80% reporting that they had worked for their current organizations for at least three years (the range was from a low of less than a year (3.43%) to 30.29% reporting more than 10 years.) Nearly 100% had three or more years work experience in total.

Number of Employees: Q. 28

The respondents were from a wide range of industries and firm sizes. Of the 174 that reported the number of employees in their organizations, the majority had between 1000 and 3000 employees:

- 21 (12.07%)** Under 1,000
- 72 (41.38%)** Between 1,000 and 2,999
- 20 (11.49%)** Between 3,000 and 5,999
- 21 (12/07%)** Between 6,000 and 9,999
- 40 (22.86%)** Over 10,000

Industry: Q. 29

The industries represented were:

- 59 (33.71%)** Health care
- 29 (16.57%)** Financial services
- 21 (12%)** Professional services
- 13 (7/43%)** Hospitality or restaurant
- 10 (5.71%)** Consumer product manufacturer
- 10 (5.71%)** Business service
- 7 (4%)** Industrial product manufacturer
- 4 (2.29%)** Retailing service
- 1 (.57%)** Travel or Tourism

21 (12%) Other:

Competitive Position: Q. 31

The respondents reported a relatively strong financial position in comparison with their competitors. Less than 7% reported that they were one of the smaller companies in their industry.

CONCLUSION AND NEXT STEPS

N = 173

- 48 (27.43%)** The leading company in the industry
- 59 (34.10%)** One of the largest companies but not the leading one
- 54 (31.21%)** A significant company but not one of the larger ones
- 12 (6.94%)** One of the smaller companies

Financial Position: Q. 32 A & B

A total of 103, or 65% of the 172 respondents, reported that they were more profitable than their competitors over the past 3 years. A total of 78% reported that their revenues were the same or better than the previous year, and 74% reported that their profits were the same or better than the previous year.

Conclusions:

The results of this study demonstrate the importance of investing in employee satisfaction, communications, and motivational initiatives -- especially in these challenging economic times when many firms, tight for cash, mistakenly cut these activities.

One of the most important results is confirmation that those firms that value and implement strong integrated marketing efforts will likely achieve higher performance levels than firms that do not.

Some other important findings of this study:

- High market performers are more likely to place a higher value on directly measuring customer satisfaction than on using more traditional sales measures to approximate customer satisfaction.
- Firms that have an open corporate culture and a strong customer orientation by senior management are more likely to be able to develop the appropriate communications,

measurement tools, and incentives to achieve and maintain strong customer satisfaction levels and financial performance.

- The relationship between Marketing and Human Resources is critical to marketing success, although this study suggests that a strong working relationship between the two functions has an indirect link to financial performance rather than the direct link suggested in the U.K. study.

CONTACT INFORMATION

In addition to these findings, a great deal was learned about the types of employee incentives that firms use, and this should be a useful starting point for future research into the effectiveness of various types of incentives by the Forum for People Performance Management and Measurement.

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