

Going Global

Benefits & Challenges

For international employee
recognition, incentives, and
service awards



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introduction

In a global economy, it was only a matter of time before employee incentive programs also began circling the world. Today's global incentive programs are important new recognition tools. First and foremost, the programs keep employees, external sales reps and other channel partners engaged—especially during challenging economic times. What's more, their strategic value and launch at a time when great companies are looking to hone their competitive edges produce substantial payoffs. The combination is driving rapid adoption.

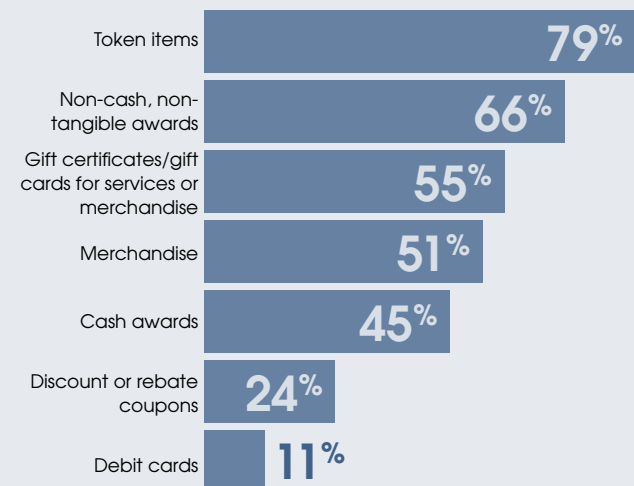
The thriving U.S. incentive market is a model of efficiency: one currency, one process for logistics, and no customs and import taxes. Incentive use has been growing steadily since 1996, according to surveys for the Incentive Federation. More than half of large companies used gift cards and merchandise incentives in 2006, and six out of 10 predicted their incentive budgets would increase over the next two years. The Incentive Federation's most recent study, released in 2007, found that U.S. companies spent \$32.7 billion on merchandise. Of the companies that launched incentive programs in 2006, more than half used gift cards or certificates for merchandise while 45 percent used cash awards (see Figure 1, "Gift Cards and Merchandise More Popular Than Cash").

Although the domestic incentive industry is healthy and growing on the long run despite the recent downturn, globalizing these programs is becoming a top priority for North American companies as overseas expansion has evolved into a key growth driver. The largest U.S.

FIGURE 1

Gift Cards and Merchandise More Popular Than Cash

% of companies using merchandise gift type
(multiple responses)



Source: Incentive Federation, "United States Incentive Merchandise and Travel Marketplace Study," August 2007

introduction

companies rang up 48 percent of their 2008 sales through international channels, up from 32 percent in 2001, according to a study by Standard and Poor's, the New York-based financial research and rating service (see Figure 2, "Overseas Sales for Large U.S. Companies"). Two-thirds of employees at the largest U.S. multinational companies work abroad, according to S&P.

With more employees than ever working in other countries, more multinational corporations are contemplating a global incentive strategy rather than piecemeal, country-by-country efforts. (See sidebar, "Why the Time Is Right: Behind the Surge in Global Incentive Programs.")

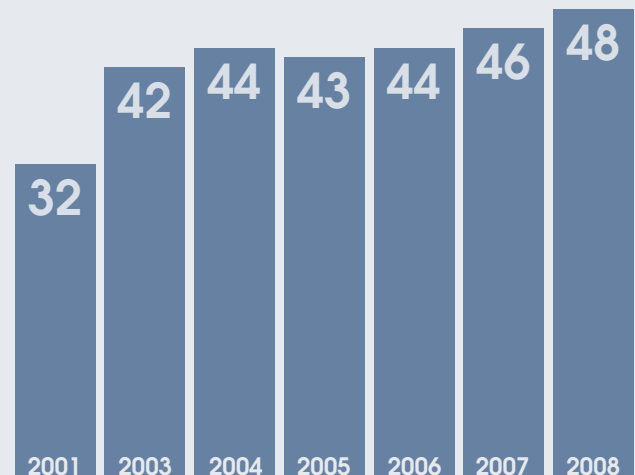
Top executives know they need to develop programs that encourage widely dispersed employees to support one mission and reaffirm corporate values. Smart recognition programs stretch across corporate supply chains. They include far-flung global partners such as offshore software development and business process outsourcing facilities. A North American telecommunications company, for example, is implementing an employee recognition program for its call centers in the Philippines and India.

This report provides insights for corporate incentive program managers and agencies implementing incentive programs for employees and channel partners.

FIGURE 2

Overseas Sales for Large U.S. Companies

% of revenues from outside the United States for the 253 largest companies reporting overseas revenues



Source: Standard & Poor's, "Foreign Sales by U.S. Companies Continue to Rise," July 2009

designing a strategic program

As a first step, many U.S.-based businesses treat global programs as an extension of the domestic programs they already have in place. But that approach can snag in several places. For one thing, overseas shipping of merchandise is expensive and slow, and costs may quickly balloon. For another, cultural values vary when it comes to awards and incentives. Clocks are not the best gift to give to middle-aged Chinese workers because the Chinese word for clock sounds very similar to the word for death. Also, the color white symbolizes death in China, so a white clock would be a double faux pas.

In addition, electrical power plug and voltage requirements are often country-specific. Electronics adapters and plugs that work in New York may not fit outlets in Copenhagen.

Another solution fraught with unforeseen costs for incentive agencies is investing in recruiting overseas incentive marketing partners. Although that strategy circumvents the high shipping costs associated with U.S.-based programs that administer awards to international destinations, the expense of contracting with a large number of partners isn't feasible for many companies. For starters, working with multiple local suppliers and processes is inefficient. Even worse are the time-consuming headaches associated with language barriers, cultural gaps and multiple time zones. The resulting missteps often scare management away from global incentive programs. In the end, the multiple investments required to cover a large company's geographic spread makes the strategy a costly one that puts the international incentive program at risk by making it vulnerable to budget cuts.

Companies are finding that the optimal solution is partnership with a global organization that offers local operations in multiple regions. A global incentive partner offers worldwide customer service and

knowledge. And a global partner with local offices also offers the vital expertise about how to handle the variety of sales, import, value-added and other taxes. Those fees vary widely from country to country and can change based on the whims of legislators and governments. Therefore, the more local offices your partner has, the closer the alignment between your program's goals and budget and the various local policies. This approach is the best way to avoid unpleasant surprises, delays and unexpected costs due to ignorance of local laws. In addition, a global partner offers efficiencies that lead to better pricing.

Perhaps most important, a global organization with regional providers offers a pulse on each country's culture, including spot-on knowledge of the different areas' marketplace and tastes. With more HR and sales and marketing departments looking to consolidate programs, one worldwide partner can provide one-stop shopping for global incentive initiatives.

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the benefits of consistency

Because international incentive programs are new, they inspire trepidation in some quarters. “Most people think it’s complicated and are unsure how to go about it,” says Toni Ashby, product manager for global rewards at Maritz Motivation, an integrated sales and marketing services firm in Fenton, Mo.

But going international doesn’t mean starting from scratch. The best efforts succeed because they keep the heart of the programs and major decision-making in the United States. Indeed, companies should first optimize existing incentive programs and then expand them into smart, balanced global initiatives. An important initial step is to understand the best practices that serve as the foundation for a winning global incentive program. (See sidebar, “Are Your Programs Ready for Globalization?”)

When it comes to shaping global incentive programs, consistency is the hallmark of success, says Erin Bluem, business development manager at Advantage Performance Network, a performance improvement company in Savage, Minn. That means consistency of corporate messages, brands, processes and costs. Creating a comprehensive initiative, Bluem says, is about “allowing companies that are truly global to give the same rewards through programs that span their company, not just the U.S. divisions.”

Consistency depends on communications. The two prerequisites for a consistency are:

- Extensive communications among the various countries and regions involved, which creates a strong network for a global incentive program
- A high level of communications between the client and the supplier of the global incentive program, which ensures the consistency of the program core everywhere and reinforces it with the local touch the company delegates to local suppliers

The resulting consistency in awards and recognition brings companies several benefits. One is a more unified organization. These days, many corporations are the result of a series of mergers and acquisitions. Facilities can be far-flung, cultures seemingly incompatible. But because program managers at headquarters share implementation responsibilities with local teams, international incentive programs create a more collaborative work environment. In turn, such global efforts make for stronger companies that are better able to support the corporate mission and values.

An added benefit is the enthusiasm for recognition programs around the globe. Employees outside the United States welcome the programs, which to them are a new wrinkle in compensation. Maritz’s Ashby estimates the overseas redemption rates for rewards are 75 percent within the first 90 days. “It’s new and exciting,” says Ashby. “We are seeing a high rate of success with global programs. There is a tremendous amount of opportunity extending programs outside the U.S.”

why the time is right: behind the surge in global incentive programs

Employee engagement is big news around the globe—and so are the programs that drive it. But why now? A combination of factors is at work, including companies' evolving organizational views, outlooks toward variable pay, more focus on cost-saving initiatives and market expansion.

The newly global reach of incentive programs reflects companies' changing natures as they evolve into international organizations. Among large firms today “there’s a desire to create a common framework for success,” says Marc Wallace, a senior consultant at global management consulting firm Hay Group. “A lot of organizations are now focused on moving people around the world, even for a short term, or working more closely across the border. That has raised the question ‘how well are we aligned across borders?’” Wallace says several multinational organizations, including a huge steel producer and pharmaceutical companies successfully manage global incentive programs. The companies that have tended to do a better job at it so far, he says, are those that have grown up globally.

Toni Ashby of Maritz Motivation points out that employee engagement is an important element of that global perspective. “Companies want to extend their corporate goals and branding globally and run the same programs to employees around the world,” says Ashby, product manager for global rewards at the company.

International incentives also reflect the shift in corporate strategy toward variable pay. When multinational companies examined their reward structure in the past, they typically focused only on base pay. Wallace says the new interest in global incentives is part of organizations' adoption of a total

reward approach to compensation. “That approach forces organizations to look at global programs more than they ever had before,” he says.

Industries that rely on channel partners to sell their products, such as office computers and consumer electronics, have always relied on a patchwork of incentive programs, with each country following its own traditions. Now, companies that sell through the channel want to extend recognition and incentives to their partners. For them, international incentive programs are easier to control and manage, and these programs ensure rewards are fair and consistent across territories.

Expansion into new geographic markets is another influence. Wallace points out that traditional U.S. incentive plans are being exported to China, where employee retention remains a challenge, even amid the current economic environment.

While Xceleration has been implementing international incentive programs for several years, clients' objectives have changed, says company President Ben Levenbaum. “When we first started, the companies were just trying to find a solution for a particular group, be it in Asia or Europe,” he recalls. “They wanted a solution; they didn’t care as much about involving groups in the criteria or calculating the cost of living adjustment.”

Today, says Levenbaum, “it’s much more about determining what the international groups are looking to do, and the level of performance they’re looking to drive, and ensuring they feel part of the initiative. It has changed a lot, and you really have to look to your partners to help you.”

improved programs, lower costs

Even more important than the warm reception among employees are the programs' cost savings. Running a single global incentive program is less expensive than operating multiple programs. IT savings, for example, may reach 60 percent for companies that consolidate several disparate recognition efforts onto one technology platform.

Companies regularly experience a 25- to 30-percent reduction in recognition spending, depending on how they structure their program, says Anthony Luciano, senior vice president for sales and marketing at TharpeRobbins Company, a wholesale giftwares firm in Statesville, N.C.

"The shipping is really where it helps," Luciano adds, "particularly in the elimination of customs and duties." TharpeRobbins ships awards to more than 100 countries. The cost to transport an iPod from the United States to Italy, for example, is \$85. But an Italian distributor can ship Apple's music player to an in-country destination for just \$22. Companies save dramatically on paper-based awards, too. When a U.S.-based distributor sends a gift certificate to an employee in Dubai, the tab can reach \$48. In country, the cost is \$5 (see Figure 3, "High Cost of International Merchandise Shipments").

Overseas shipping costs for large awards—from kayaks to televisions to grandfather clocks—can exceed the cost of the items. Plasma TVs are a popular award choice, but to ship one from the United States to Australia can run to \$1,260. A distributor Down Under, on the other hand, can send the same item for just \$90—a savings of \$1,170.

A smart global incentive program needs a savvy local partner to expedite delivery of goods. The right local partners help navigate applicable laws and incentive

FIGURE 3

High Cost of International Merchandise Shipments



Source: Accor Services

improved programs, lower costs

limits, in addition to tax registrations and logistics. For instance, three days is an acceptable timeline for delivery in the United Kingdom, while Argentina's window is 10 days.

In-country suppliers save companies even more in customer service, says Ben Levenbaum, president of Xceleration, a sales incentive and employee recognition firm in Atlanta. Long-distance shipping often requires careful tracking, and the time-intensive customer service is "a fee that has to get passed on to clients at some point because there are so many issues with packages getting lost," says Levenbaum, who has led Xceleration since the company opened its doors in 1999.

What's more, the advantage isn't just cost; it's proximity and familiarity with processes. "An in-country supplier understands the delivery systems and what information needs to be put on the boxes," Levenbaum emphasizes. "It makes a huge difference."

Equally compelling are the resulting improvements to a company's reporting and accountability. Companies are often unsure of their recognition costs. For example, managers at large companies often draw from their travel and expense budgets to reward employees by buying them dinner or tickets to sporting events.

"But that T&E expense never gets reported as part of what the company is spending on recognition," Levenbaum points out. "When companies make the mandate that all rewards must go through a point-based system, they now have instant access to information about every penny they're spending." The central control that comes with globalized programs allows for aggregated data and more efficient reporting. Levenbaum adds that it also helps companies meet the Sarbanes-Oxley Act regulatory requirement for accurately reporting employees' compensation.

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understanding going global

If the heart of global incentive programs stays in their companies' home turf, what role do local partners and employee teams play?

Customer service is one. It has been common for an incentive agency's customer service program in non-U.S. countries to be little more than a translated version of the corporate Web site's Frequently Asked Questions page. In-country programs change that scenario. When companies' incentive efforts are locally run, employees dial local toll-free telephone numbers and speak in their native languages. No more struggling with the complexities of time-zone differences.

Local teams also help contribute to payout structures. Deciding the cost-of-living adjustment is a key element. If a company awards a U.S. employee or sales representative \$100, what's the equivalent value in other countries? Will its value not only motivate employees and channel partners but also inspire them to exceed expectations? The in-country expertise of incentive providers and program design teams is essential to accurately determine purchase power parity.

Maritz's Ashby cautions that payout structure isn't solely about dollar value and purchasing power parity. Geographical circumstances also affect the final calculations. "You also need to look at the level of effort required for someone to make a sale in China, for example, versus Chicago," Ashby says. "The market plays a big part of it. Is it an emerging product that's new and different and takes some effort to sell?"

The most effective incentives are those that match employees' tastes. To TharpeRobbins' Luciano, such customization is a major advantage of working with local partners and teams. "Beyond the fiscal savings, companies can choose awards and incentives better suited to employees' tastes and preferences," he says.

"Providing employees with what they want, means as much to an incentive program as saving money."

Indeed, making the right product selection is key. The value employees place on rewards differs not only by culture but also by age, according to the "Tower Perrin 2007-2008 Global Workforce Study." What motivates the Facebook and Twitter crowd is quite different from the recognition that appeals to their more seasoned co-workers.

FIGURE 4

Certificates More Effective Than Tokens

On a 10-point scale, HR managers rated the relative effectiveness of incentive techniques.



Source: Incentive Federation, "United States Incentive Merchandise and Travel Marketplace Study," August 2007

when in rome...

Given their extensive employee rosters, multinationals need to be especially sensitive to the many variations of recognition. Going global requires careful choices. So an important advantage of partnering with local contractors is their expertise in sourcing products and understanding which reward program investments will produce the desired levels of performance and engagement. Trustworthy global partners can help large companies select more effective incentives and deepen their connections with employees.

For example, the Incentive Federation survey found that gift certificates or gift cards for merchandise or services were among the most effective types of incentive programs for U.S. companies, outscoring discount coupons or travel certificates. It's interesting to note that most companies use token gifts more than any other incentive, but then say these items are among the least effective (see Figure 4, "Certificates More Effective Than Tokens," prior page).

Sometimes, effectiveness is dictated by familiarity with the employee incentive concept. While the idea of giving gifts to employees to reward or encourage behavior is 40 years old in the United States, France and Australia, it is relatively new in Chile and almost unknown in China. Therefore, organizations embarking on a global program need to communicate what's happening—and why—in different ways for different cultures.

Knowing cultural preferences can make or break an international program. Some cultures prefer multi-retailer vouchers, some single-store gift certificates and others merchandise. In France, for example, 96 percent

of program participants prefer multi-retailer vouchers. Not only that, French employees favor vouchers that can be used at multiple retailers rather than the single-store gift cards popular in the United States.

To luxury-minded Western Europeans, motivation comes in the form of vouchers for vacations and high-end department stores. Their thrifty counterparts in Eastern Europe prefer vouchers to grocery stores and supermarkets. Workers in India are partial to doing business with local providers over global retailers and brands.

When it comes to merchandise, local tastes are even more specific. Catalogs for Chinese employees feature frying pans. The Swedes enjoy food products. Brands count, too. To Americans, Sony is a prestigious electronics brand, but Europeans like televisions, audio equipment and gadgets made by Philips.

What's left out of catalogs is as important as what's put in. Muslim countries forbid alcohol, but incentive programs in Latin America regularly feature a variety of alcoholic beverages. And in South Korea, drinking high-end liquors is "very much a status symbol," says Maritz's Ashby, so her company includes them among its reward selections in the Asian country.

look and feel

Voice matters. Does the culture prefer to communicate in tones that are friendly, formal or sophisticated? Language is a detail that's surprisingly often overlooked in global incentive programs. Considering English to be the default language is shortsighted, especially in Asian countries.

Language choice is not just an issue of translation expense. Choosing appropriately can affect an incentive program's success: The more comfortable and familiar employees feel with the program, the greater its chances of achieving its productivity and engagement objectives.

Visual presentation has the potential to grab employees' attention—and to alienate—so design is an important element in international incentives. Among Asian employees, for instance, all things Disney and superheroes are popular. In Chinese collateral, the use of the color white is frowned upon. Catalogs distributed in Germany and Austria feature a corporate feel, while those sent to Spain, France and Portugal project a more informal sensibility.

Local preferences also determine the form of recognition programs. German and Finnish cultures prize modernity, so online catalogs are popular there. Eastern Europe's cash culture favors paper vouchers, while plastic cash cards embedded with a personal identification number (PIN) are more desirable in security-conscious nations such as South Africa.

One Stop Shopping

Accor Services provides a one-stop shopping solution for organizations that want to launch a global incentive program. It has offices in 42 countries around the globe, including 21 European countries, 13 in Asia Pacific,

eight in the Americas and four in the Middle East and Africa. These local offices, working in concert with the client and U.S.-based management office, provide the following global incentive implementation services:

- Sales and import tax expertise
- Local products sourced for local targets
- Sensitivity to local standards of living and culture
- Local sourcing to avoid customs and tax hurdles
- Multiple language, in-country telephone and Web customer service
- Wide range of incentive choices: gift cards, vouchers, merchandise catalogs
- Delivery Online tracking in local languages

Summary

Incentives are about recognition, about making program participants feel valued. The most efficient way to capture that message for your organization's employees, channel partners and sales representatives is through targeted products, language and cultural preferences. The best way to deliver the message is through a global partner that can help you create cost-effective, localized programs.

For More Information

For more information about globalizing your employee incentive programs, visit

<http://rewards.accorservicesusa.com/> or
<http://www.accentiv.com/>

You may also contact
globalrewards@accorservicesusa.com



are your incentive programs ready for globalization?

1 Motivate your teams to move forward. Get them interested in the incentive program. Commitment at all levels is key to the program's success.

2 Smart project planning. Create a plan with clear, concise objectives that can be acted upon. Vision is important, but implementation is critical.

3 Understand budget and cost allocation. Implementation and program management costs are typically managed centrally, while the actual cost of the rewards may be billed back to the local units at companies that follow rigorous cost-accounting processes, depending on the level of decentralization.

4 Keep everyone aligned. Local participation is key. Is your organization prepared to field local teams to help manage and control the project?

5 Conduct a thorough vendor selection. Choosing the right partner is important. To succeed, your company has to be ready to devote resources to finding a company that meets its needs. And trust the expertise of international suppliers even if their developments, solutions and ideas take a totally different approach.

6 Plan for process design and information feed challenges. Evaluate whether your company's IT department is ready to consolidate local data, languages and unusual character feeds (for example, £ and ¥) about incentive program deliveries and costs at headquarters. Determine how often you will need to update data by defining the appropriate frequency.

7 Don't overlook language support. Translations can be costly. It may not be necessary to translate your policies, procedures and catalogs in every country. Examine where you really need to translate.

8 Design a robust and reliable platform. Technology forms the all-important backbone for a global incentive program. Be sure yours is flexible and scalable enough to support the business logic and communications that an international program needs. Implementing a single platform will yield significant savings by avoiding the additional costs of maintaining multiple systems to monitor the programs.

9 Choose awards and recognitions that are culturally specific. What will employees find motivating and meaningful? Offer a mix of rewards, brands that resonate and a clear good-better-best range of alternative choices that are sourced locally.

10 Be smart about logistics. Shipping, handling and transportation play a key role—and expense—in international incentive programs. Make sure your local provider has a solid plan to reliably manage your program's logistics, including an online tracking system.

11 Commit to customer service. To employees, the actual receipt of awards is the most persuasive element of your program. But answers to questions and qualitative information are key to confirming the care and support you provide to your customers. Make sure employees' questions are answered and their packages delivered.

12 Reporting that's complete and accurate. Global incentive programs allow companies to finally know just how much they are spending on recognition. Determine whether your systems are ready to deliver.

six tips for successful global incentive programs

Here are six guidelines to ensure your company's international programs succeed. Remember that incentive programs are no substitute for talented management or credibility among employees.

- **Get top-down commitment.** Global programs need to be championed by top leadership. “Wait until you have full executive commitment before you go forward,” says Xceleration president Ben Levenbaum. “The design and implementation is challenging enough; you don’t want to have to be getting buy-in by senior executives at the same time.”
- **Reassure, inform and update your team to avoid the anxiety that sometimes accompanies new projects.** Going international does not change team members’ job responsibilities or require them to speak several languages. Make their jobs easier by enlisting your global partner to guide them through the process and onto new levels... literally.
- **Assemble an international team.** Can’t get participation or feedback from other countries? Then you’re better off not trying to globalize your company’s incentive program.
- **Set goals that make sense.** Tailor the incentive program’s goals to fit the culture in which the program will be launched. Outside the U.S., some cultures value team, not individual, contributions. “So instead of setting individual goals in terms of sales or quality,” says Maritz Motivation’s Toni

Ashby, “you need to set team-based goals. Here in the U.S., we value top performers. In Japan, that approach is not appropriate. There, everyone on the team wins.”

- **Build in flexibility and easy wins.** Don’t create a plan so dramatically different that it turns the organization or culture on end. When necessary, let the local teams lead. Hay Group senior consultant Marc Wallace was on a design team that included employees from Kenya, United Kingdom, Brazil, and Australia. “In terms of vision,” he says, “we knew what we wanted, but we couldn’t figure out how to make everything work in every country. So we came up with the framework, and then let the local team run it the way they wanted to.”
- **When you’ve got it right, promote, promote, promote.** A global incentive program should be designed to attract attention and motivate employees to focus on the right issues, says Wallace. He recalls one company that, unbeknownst to most employees, had been running an incentive program since 1995. Low-profile programs waste corporate time and money. But worse, says Wallace, are programs launched without context. They “undermine a company’s ability to manage that part of the organization,” he says.