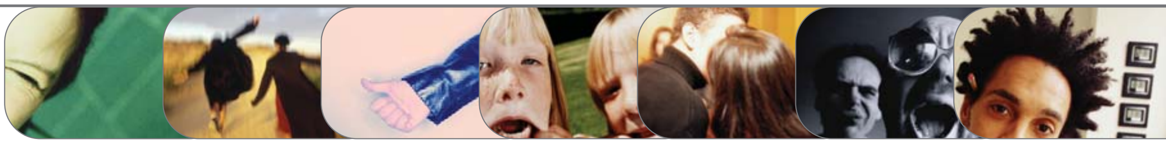

Rewards for tough times

Financial Times – Tuesday August 6th 2002

In a downturn, motivating staff becomes even more important, says Sheryle Bagwell

The Maritz family has always viewed downturns as opportunities. When the family's jewellery manufacturing business lost its consumer market in the Great Depression young James Maritz hit on the novel idea of selling watches and jewellery direct to large companies for use as employee sales and service awards.

More than 70 years later, the motivation and incentives market is a multinational billion – dollar global business and Maritz, based in St Louis, Missouri and now run by James' 43 year old grandson Steve, is one of its main operators. Maritz has an annual turnover of $1.5bm (£955m) and offices in Canada and Mexico and across Europe, as well as in the US.

These days, Maritz offers companies more than just the gold watch, the traditional reward for employees' long service. It researches, designs and implements sophisticated incentive programmes aimed at enhancing a company's performance by motivating its employees and distributors to meet a sales target, launch a new product successfully, or just not defect to a rival company.

At the core of the Maritz motivation programme, however, remains the reward: not more stock options but maybe a barbecue, a lounge suite or a trip to Barbados for an entire sales team. Maritz gives clients the option of issuing employees with debit cards that can be loaded with reward points and then redeemed on a range of merchandise. In the US, for example, Maritz' online catalogue features hunting rifles, luxury cruises and Cartier diamond watches.

But the current downturn is making heavy weather for 'performance improvement' companies. Mr Maritz says the group's incentives travel business, which contributes most of the private family company's annual turnover was hit hard by the September 11 terror attacks and the collapse of the technology boom before that.

Maritz' client list includes many Forbes 500 and FTSE 100 companies, including IBM, Barclays and Panasonic. Even at the largest companies, budgets for staff incentives are being trimmed. Clients that might once have sent a top sales team to a distant tropical island – one of the more exotic options is a submarine trip to explore the area where the Titanic sank – are now sending them closer to home.

"We would like to think that at times like this people need us more than they do when the times are good," says Mr Maritz, who holds a degree in organisational psychology from Princeton University. "But when economic times get tough, budgets get tight and you have to work a little harder to convince companies (they should) keep doing what they ought to do."

The message Maritz tries to press home is that investing in a well-designed incentive programme will almost always reap rewards. The Maritz website cites external research that claims it can add more than $40m to the bottom line of a typical £1bn business.

He admits that rewarding top performing staff while dismissing others is a "difficult tightrope" to walk – but argues that it is necessary if a company wants to continue to grow in tough times. He says the advantage of an incentives programme that offers non-cash rewards such as watches or trips is that the return on investment is more direct and transparent – certainly more so that employee stock options.

"Share options, except in the smallest of companies, lack what we call 'line of sight' – they are relatively dissociated from the day-to-day activities of a company" says Mr Maritz. "Incentive programmes, on the other hand, tend to be focused on specific activities and behaviour – on sales, service delivery or some other targeted objective."

For an incentive to motivate staff, Maritz says it needs to be "positive, immediate and certain" – hardly the case with options when a company's share price is plummeting. Non-cash rewards are also more motivating than a cash bonus because of what Maritz calls their "trophy value".

Experts in the field agree that an incentives programme can lift a company's bottom line – but it must be flexible and well managed. Steve Whiddett, an occupational psychologist and co-author of The Motivation Handbook, says rewards can have a negative effect if employees see then as just abother carrot designed to make then work harder. "Organisations are often bringing in these sorts of programme, when that they should be doing is skilling up their managers," says Mr Whiddett. Effective performance management he says, means being able to identify "the motivators for individuals and ensuring that the organisation matches them."

Motivation and incentive programmes have become an integral part of the way many companies do business. Toyota, for example, has for the past nine years run a programme called the Guild for its UK dealers, where they earn points that can be redeemed for trips or merchandise.

Scott Bassage, the Guild co-ordinator, says the company has no plans to trim or end the programme despite tougher market conditions. "Because Toyota's growth plans are so strong we couldn't expect our dealers to grow their business and not incentivise them," he says. Barclays, which runs a similar programme, says it is now "part of the bank's culture".

Others are less willing to discuss their schemes. The Ford Motor Company of Europe did not want to comment on its blockbuster incentive travel event in February, when it flew in 17,000 European car dealers over 44 days to Marbella, Spain, for the launch of the new Fiesta and Fusion models.

Such public reticence however, has not stopped companies looking for new ways to encourage staff to work harder and better and drive their busineses out of the current earnings trough.

That includes Maritz itself, which has extended the debit card system of earning points and redeeming rewards to its own sales staff. Mr Maritz explains "We practise what we preach."