

# More Than Ever, Employees Are Vital to Companies in Down Economy

**Keeping them engaged and motivated is critical.**

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"You can't cut your way to prosperity" is an often-quoted piece of business advice heard even more often these days amid the jitters on both Wall Street and Main Street. Just as that sage advice applies to corporate marketing and advertising budgets, so it goes for a company's employee incentive and rewards program.



While there may be an overriding temptation among businesses to target employee motivation and incentive programs as a way to trim costs during lean times, research conducted by the partner organizations of the Incentive Marketing Association (IMA) – the Incentive Federation and the Forum for People Performance Management and Measurement -- have, in fact, shown a negative impact in lost talent, productivity, and, consequently, future sales and profits once an economic turnaround begins.

For many businesses, these are generally unseen but large and unrecoverable costs. Companies today must be careful to protect the 85 percent of their assets that are tied up in the human knowledge and talent of their employees. One way to protect these assets is to resist cutting long-term employee incentive programs in favor of a short-term gain.

In fact, IMA research points to a direct connection between engaged, productive employees and profitability. That same research shows that non-cash incentives, such as merchandise and travel, are a significant motivator. Today's employees, who are working longer hours and taking fewer vacation days, are often moved to better performance by special incentives which include travel opportunities.

Additional research has uncovered that companies that continue to invest in perks, rewards, and recognition programs regardless of economic conditions tend to outperform their competitors. Companies which cut their incentives programs too severely run the risk of losing their top talent once economic conditions begin to improve. Many companies experienced that problem following the last recession in 2001.

Certainly, every company must act responsibly and use incentive programs appropriate to the current economy, and the economy of their particular industry. Incentive marketing professionals can examine a company's current employee incentive program, and, if needed, point the company in the direction to the right program which will produce the desired results.

The issues to consider when establishing or re-evaluating an employee incentive program include your company's goals, and choosing the appropriate incentives – be it gift cards, merchandise, travel – that reflect the company's business values. Most importantly, the

incentive program must have potential for short-term and long-term results, and those results must be measurable.

Compared with advertising, direct marketing, and event marketing, well-designed incentive programs have by far the highest level of cost accountability related to results. This is probably the number one reason for increasing; not decreasing; incentive usage during tough times. In addition, for those companies with a low tolerance for risk, incentive plans can be close-ended, and designed to fit a set budget. These programs can deliver improved performance during times of extreme budget stress.

The employee incentive industry is comprised of skilled professionals who help companies effectively use incentive programs to motivate both employees and customers. It is a \$46.1 billion marketplace, with \$13.4 billion spent on travel, and another \$32.7 billion in merchandise. Those numbers are huge because, to put it simply, incentives work.

In this time of economic uncertainty, savvy companies know that employee incentive programs, unlike other business strategies, have been, and are still today able to withstand economic downturns and significantly contribute to a company's bottom line.

As the national organization that fosters best practices around the principles of results-based incentive design, the IMA encourages business decision-makers to think about their most valuable asset, their employees, as they move forward to meet the challenges of today's economy.

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