Why Measures Matter:

Examining the value of ROI.

INCENTIVE SERVICES, INC.®
Maximizing Performance Through People

In the last of our three-part series on strategic measurement for recognition strategies, we're examining return on investment (ROI) – a measure that indicates the financial return of a recognition strategy. Before we dive in, we'd like to step back and briefly recap the learnings from Part 1 and Part 2.

In Part 1 of our series, we talked about the value of strategic measurement; how a solid plan can literally transform a recognition program into a recognition strategy. This allows you to:

1. make informed decisions for continuous improvement
2. gain executive support and buy in with tangible data
3. benchmark against industry best practices
4. understand where your investment is going and the return

In Part 2, we talked through the concept of return on objective (ROO), sharing some examples of key metrics like leadership engagement, colleague involvement, investment per employee, and recognition touchpoints; all measures that feed into calculating your ROO.

Let's talk ROI

ROI. Arguably one of the most prevalent, universally understandable and accepted measures of success, it can be calculated differently based on business models, programs, or circumstantial situations. So why measure ROI? As it relates to your recognition program, understanding whether it is worth the investment is probably the biggest reason. As we shared in Part 2, when evaluating the impact of your recognition strategy, ROO and ROI go hand in hand. It's great that you may have a program or strategy in place, and you may have some ROO measures that look positive, now the next piece is determining if your strategy is bringing in a return on that investment.

The Incentive Research Foundation (IRF) Industry Trends Report shares that 51% of organizations plan to spend more than $250 per person on non-cash reward and recognition strategies. Overall, there is a 34% increase in the investment of these initiatives.

Quantifying is Qualifying

But what are the specifics needed to calculate that ROI? For some KPI's it is quite straightforward – sales, cost savings, productivity, safety. But for others (engagement, retention, culture) there's the perception out there that finding the right measures to prove the value of recognition is difficult.

We hear it often from our prospects – wondering how they identify a positive ROI from recognition efforts because it seems complex. (Not the recognition strategy, but the measurement.) In actuality, it's quite easy if you can work with a supplier who:

a) understands the value of turning measures into usable insight
b) benchmarks against industry best practices
c) correlates program results into a bigger picture around employee engagement and retention rates

Frequently, we read articles with headlines such as "the ROI of employee engagement" and the "the ROI of recognition." However, it seemed what was missing was a way to calculate ROI and deliver a tangible number, beyond a formula incorporating the cost of turnover. So Incentive Services developed a proprietary methodology to calculate and measure a broader view of success. This equation considers both the ROO and the Performance Index measures that focus on employee engagement and employee retention. Our analysts pull all this together in an informative and straightforward way to understand the measures that matter, including your ROI.

There has never been a more important time for companies to embrace an "employee first" culture and this starts with an integrated recognition strategy. Information is knowledge – so the ability to calculate the ROO and ROI of your recognition strategy will provide the foundation that shapes your company culture for the long-term engagement of your employees.