

2020  
TOP PERFORMER - TECHNOLOGY



*The IRF 2020 Top Performer Study:*  
**What Top Performing  
Technology Companies  
Do Differently in  
Incentives and Rewards**

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# The IRF 2020 Top Performer Study

## What Top Performing Technology Companies Do Differently in Incentives and Rewards

The impact of the recent pandemic was comparatively less on the technology sector compared to many other business verticals. In fact, the technology sector is helping us deal with disruptions from COVID-19, as people use videoconferencing and other online tools to work from home. Many have increased their use of streaming video, music, and games to provide themselves entertainment during periods of quarantine. Schools use online platforms to keep students' educational pursuits on track. Furthermore, the development of disruptive technologies such as robotics and artificial intelligence continue to accelerate during this time. Nonetheless, the technology industry does not operate in a vacuum, and due to the economic downturn, technology budgets will take a hit, freezing spending and long-term projects, which potentially impacts long-term vendor stability.

The technology industry is one of the industries that is most conducive to working remotely. Based on a 2016 study by Gallup, 57% of employees working in computer/information systems spent some of their time working remotely. During this time of lockdowns and quarantines, it is likely the number of employees permanently assigned to work remotely has increased significantly. There is a challenge to motivating remote workers that the technology sector will find as an ongoing task.

*The IRF 2020 Top Performer Study* focused on understanding how incentives and rewards differentiate the most successful companies from others. The study focused on several specific verticals, including technology companies. Results for the technology sector showed that the use of incentive programs had risen prior to the pandemic, particularly for the most successful top performing technology companies. While overall, Top Performers were much more engaged in incentive programs than Comparator companies, the level of support for reward and recognition programs had risen significantly for both Top Performers and Comparators in significant ways, suggesting that more technology executives have recognized the important role of incentives as a competitive advantage.

While the data cannot establish whether strong incentive programs directly led to better business performance, the relationship between strong business performance and the level of commitment to incentive programs was evident.

## The Study

The technology study included 153 participants, all of whom played a key role in overseeing the incentives programs of technology companies earning at least \$100M in revenue. The technology sector represented 38% of the total Top Performer sample of 400, up quite a bit from the previous year when technology comprised 30% of the total sample.

To qualify as a "Top Performer," a firm had to report strong overall performance across several areas, but the most important requirement for classification as a Top Performer was financial growth as all companies fitting this classification had to experience more than 5% growth in revenue within the past year.

The additional criteria for qualifying included:

***Strong performance with customers***

- 90% or higher in customer satisfaction or loyalty, **or**
- Customer acquisition rates higher than 5% **or**
- More than 5% growth in the number of customers your company served

***Strong performance with employees***

- 90% or higher in employee satisfaction **or**
- Loss rate less than 5% per year among high-performing employees

Using these criteria, 43% of participating technology firms qualified as Top Performing companies, which represents the highest percentage among the three sectors in the full study (manufacturing 34%; financial services 36%). The purpose of these survey questions and the ultimate classification as Top Performer or Comparator was 100% opaque to respondents – they did not know they were assigned to a performance group.

### **Executive Sponsorship Increased for Both Top Performers and Comparators**

While there was still a large gap between Top Performers and Comparators, both groups increased the percentages who said their executives were strong supporters of reward and recognition as a competitive advantage. Top Performers went from 86% in our 2019 study to 94% in the 2020 study, and Comparators moved from 44% to 62%. Among the top performing technology companies, there was near universal agreement that effectively leveraging reward and recognition provided a competitive advantage. This is consistent with Top Performers from the other sectors, 94% of whose executives believed reward and recognition represented a competitive advantage.

### **Program Reach Is Expanding for Both Top Performers and Comparators**

The percentage of top performing technology companies who designed programs with the dual goal of both reaching all participants, while also recognizing truly exceptional achievers, more than doubled from the previous year, going from 10% in 2019 to 22% in 2020. Comparators with this dual goal also went up significantly from 15% in 2019 to 24% in 2020. Like the previous year, Top Performers were almost twice as likely to structure programs with the goal of each participant receiving a recognition or reward during the program (58% Top Performers, 31% Comparators). Comparators were much more likely to structure programs that reward top achievers (43% Comparators, 17% Top Performers). These findings were consistent across business sectors.

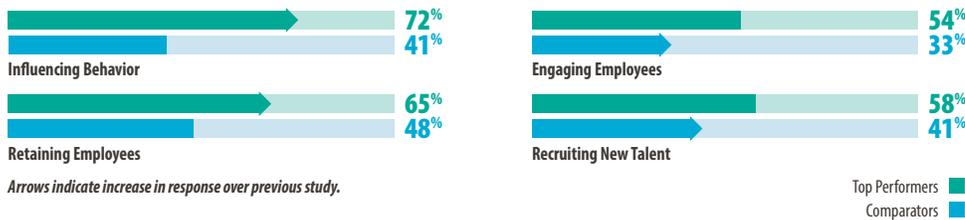
### **Top Down Program Command and Control Increased Significantly for Top Performers**

The technology sector differed from others in that both Top Performers and Comparators overwhelmingly awarded winners automatically, based on the achievement of pre-defined goals. In other sectors, this was true of Top Performers, but Comparators lagged by a large margin. In the technology sector, Top Performers only recently closed the gap on awarding incentive trips to all qualifiers. The previous year, only 56% of Top Performers awarded incentive trips automatically, based on pre-defined goals. In the past year, this percentage rose significantly to 84%. The 2019 study reported that 79% of Comparators gave automatic awards to all qualifiers, demonstrating a large gap between themselves and Top Performers. The percentage of Comparators offering awards to all

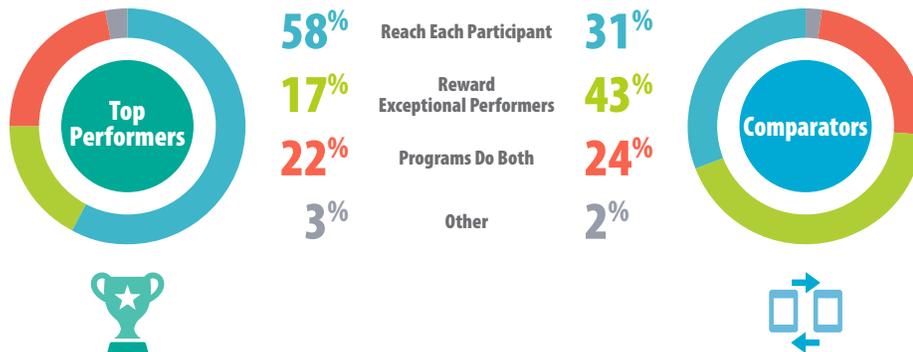
## What Top Performing Technology Companies Do Differently in Incentives and Rewards

### TECHNOLOGY TOP PERFORMERS RATE THEIR PROGRAMS AS MORE EFFECTIVE

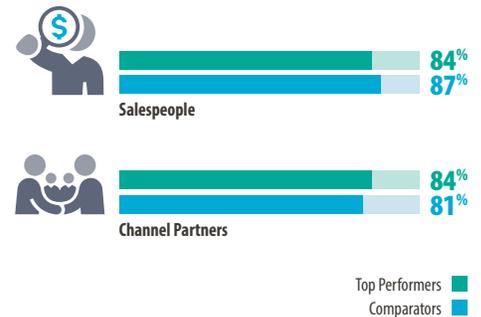
Program managers "strongly agreed" that their programs are effective at:



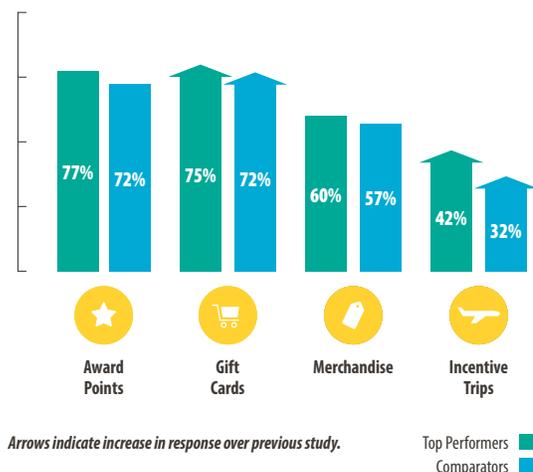
### TOP PERFORMERS FOCUS ON PROGRAM REACH



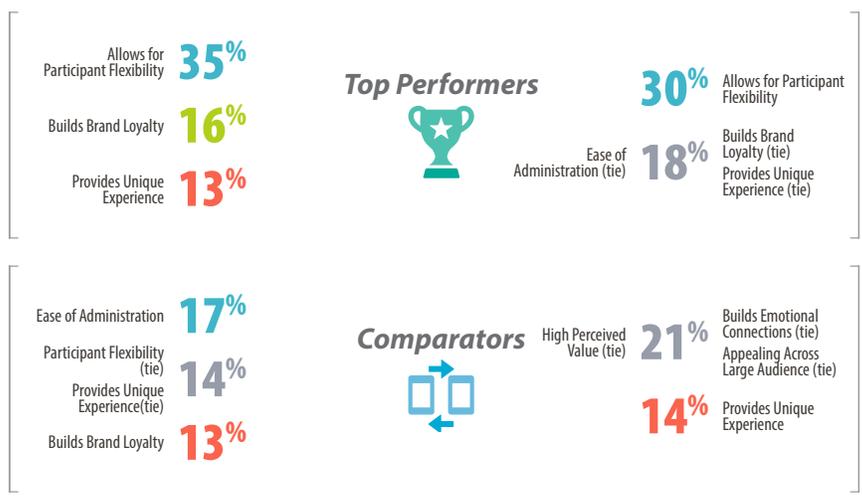
### INCENTIVE TRIPS AWARDED BASED ON OBJECTIVE QUALIFICATIONS



### SOLID MIX OF REWARD TYPES OFFERED



### TOP PRIORITIES FOR TANGIBLE REWARDS



### TOP PRIORITIES FOR INCENTIVE TRIPS

qualifiers continued to rise to 87%, showing an overall trend toward giving awards to all qualifiers, and away from selecting award winners among qualifiers by selection committee.

Similar percentages were found for channel partner incentive trips with more than 80% of all technology companies offering incentive trips based on automatic qualification. In this case, Comparators increased automatic qualification from 67% in 2019 to 81% in 2020. The data showed that across the technology sector, the clear pattern was giving awards based on objective qualifications, rather than through a selection committee.

### **Qualification Criteria is Getting More Complex for Technology Top Performers**

Although there were a greater number of automatic qualifiers for incentive trips, the qualification criteria were getting more complex. This was true for both Top Performers and Comparators. The percentage of Top Performers describing their qualification criteria for sales incentive trips as more complex rose from 7% in 2019 to 32% in 2020. In 2019, no one in the Comparator group described qualification criteria as complex, but in 2020, 20% of Comparators said qualification criteria was complex. Identical percentages were reported for channel partner qualification where 32% of Top Performers described qualification processes as 'complex', along with 20% of Comparators, up from 7% and 11% percent, respectively.

### **Both Top Performers and Comparator Companies Are Offering a Greater Variety of Rewards**

For the most part, Top Performers and Comparators were similarly likely to offer award points, gift cards, and individual incentive travel with only slight differences in the percentages that offered each. The only area where Top Performers had a distinct advantage is offers of group incentive trips (42% for Top Performers, 32% for Comparators), although the percentage of both Top Performers and Comparators who offered these trips increased since the previous year (Top Performers 31% in 2019 to 42% in 2020; Comparators 15% to 32%). The percentages that offered gift cards also increased since the previous year, with Top Performers increasing from 65% in 2019 to 75% in 2020 and Comparators increasing from 59% in 2019 to 72% in 2020.

### **Top Performers Understand the Importance of Flexibility & Relevance of Rewards**

A key differentiator between technology Top Performers and their Comparators was the priority placed on *flexibility* of tangible rewards. Top Performers were more than twice as likely to list this as their most important consideration (35%) when giving merchandise or gift cards (Comparators, 14%). Comparators' top priority was *ease of administration* (17%), although the differences in priorities between Top Performers and Comparators were otherwise relatively minimal. The data suggested Top Performers understood that 'one size does not fit all' and that flexibility was a critical component to a successful incentives program. This was consistent with the findings of the overall study.

Similarly, *participant flexibility* was a much greater priority for Top Performers in designing incentive travel programs. Participant flexibility was the top priority for 30% of Top Performers versus 7% of Comparators. It is noteworthy that Comparators named *appealing across large audiences* as one of their top priorities (21%). This was an important contrast as Top Performers recognized the difficulty in finding something universally appealing, instead focusing on trips that were more flexible to individual preferences.

## Technology Top Performers Rate their Programs as More Effective

The data showed that much greater percentages of technology Top Performers agreed their programs were effective across the board contrasted to Comparators. 72% of Top Performers strongly agreed that their incentive programs influence behavior, compared to 41% of Comparators. Top Performers strongly agree that their incentive programs are effective engagement tools (54%), retention tools (65%), and recruitment tools (58%).

### Summary and Key Insights

*The 2020 Technology Top Performer Study* portrayed a very positive outlook for the non-cash reward and incentive travel business. The data consistently showed high levels of engagement, support, and spend with non-cash incentives among top performing technology companies. The study showed that Comparator companies were, in many cases, increasing their investments in incentives as well. While the use of non-cash incentives was likely not the sole cause of corporate success, there was a very clear relationship between the two. As companies achieved success in areas such as profitability, customer satisfaction, and employee engagement, they furthered this success through the implementation of successful reward strategies.

The data also showed that qualification criteria was changing as well. On one hand, more than 80% awarded incentive trips automatically, based on reaching some pre-defined criteria, rather than being chosen by a selection committee. While automatic qualification was trending upward, so was the complexity of qualification criteria. Programs are more motivating if people know what they need to do to qualify for incentive opportunities and have both clarity and certainty about earning awards.

While the gaps between Top Performers and Comparators relative to the effective use of non-cash rewards was quite large in many areas, Comparators showed some improvement compared to the 2019 top performer data, including improved executive sponsorship. Comparators were trending upward in their engagement with incentive programs among the other verticals in the study as well, showing a rising tide in incentive use prior to the pandemic.

An area where Top Performers seem to really 'get it' is a greater recognition that 'one size does not fit all' when it comes to both non-cash incentives and incentive trips. While Comparators place the greatest emphasis on having widespread appeal, Top Performers recognize the value in personalization. It is not just about what something costs, or its equivalent cash value, but rather the personal appeal of the reward to the individual.

Incentive Research Foundation studies have shown that both participants and program owners are scrutinizing the value of incentive experiences more closely. Top Performers seem to have a better understanding and hold their programs to high standards. The fact that incentive flexibility represents such a high priority for Top Performers causes these programs to be more successful, thus motivating performance and perpetuating these companies as Top Performers in their class. Thus far, data collected by the IRF shows that incentive programs have not taken as much of budget hit as might have been expected during this time of economic upheaval. Keeping employees engaged and productive is particularly important at this time, particularly as large numbers remain working remotely. The progress shown by top performing technology companies relative to their effective use of incentives is encouraging and presumably, have shown enough of a return on investment to be seen as critical to business success in a technology industry that is essential for keeping our economy moving forward as our opportunity to interact with one another may be limited for a while.