

**“Our incentive travel program would be the last thing we would eliminate before we turn the lights off.” — CEO, XYZ Corporation**

# Anatomy

## Of a Successful Incentive Travel Program

**H**istorically, organizations have used rewards and recognition programs to help them achieve business goals and objectives. Despite the importance of the incentive market to the hospitality industry, many lawmakers and media figures in 2009 criticized the use of corporate funds for group travel designed to motivate employees. While the criticism may have been directed at particular companies, the overall tone in the media caused some companies to cancel and/or eliminate incentive travel programs (ITPs). These actions often failed to consider the multitude of benefits that accrue not only to the participants but also to the organization’s culture, morale and productivity. Additionally, the overall effect for destinations that normally host incentive travel has been devastating, as evidenced by the layoff of hospitality employees throughout the industry.

To provide a clearer picture of the broad, positive impact incentive travel programs have – both on participants and on those tangentially involved in an incentive travel program – the Incentive Research Foundation (IRF) undertook an in-depth analysis of one company’s successful, long-standing use of incentive travel as a motivational tool. Contrary to the viewpoint recently presented in the media, this research concluded that incentive travel programs have a strong impact on not only



individual motivation, retention and performance, but also on organizational culture and business results. Equally important, the research found that the program studied had significant qualitative and quantitative impact on the program destination’s economy and service providers.

### THE PROJECT AT A GLANCE

The goal of this study was to document the “anatomy” of a successful incentive travel program by conducting an end-to-end study of an appropriate company who has an incentive travel program in place. The research team assured the chosen company of confidentiality and anonymity, so the featured company is referred to as “XYZ Corporation” throughout this paper. The company has several thousand employees, is well established and has had an incentive travel program in place for 18 years.

The research team examined the content and format of XYZ Corporation’s 2008 incentive travel program, conducted qualitative interviews with associated industry professionals (management, participants, earners and service providers) and analyzed primary data such as employee performance records, employee tenure, net operating income per employee and post-event survey data.

Specific objectives of the project were to:

- Define incentive travel programs, their purpose and key components
- Identify the impact incentive travel had on all stakeholders
- Evaluate both qualitative and qualitative success indicators
- Identify the perceptions of the incentive travel program and determine if there was a difference in management’s perspective and the employees’ perspective
- Determine the incentive travel program’s value to the destination and other product and service providers.

### ABOUT THE IRF

The Incentive Research Foundation funds and promotes research to advance the science and enhance the awareness and appropriate application of motivation and incentives in business and industry globally. The goal is to increase the understanding, effective use and resultant benefits of incentives to businesses that currently use incentives and others interested in improved performance.

Learn more at: [www.TheIRF.org](http://www.TheIRF.org)



## DEFINING SUCCESSFUL INCENTIVE TRAVEL

Although incentive travel has been used as a management tool for decades, it is often not fully understood or adequately defined. A key part of this effort was to produce a solid, concise description of the topic to be researched. Prior to conducting an in-depth investigation of the designated incentive travel program, researchers built on previous definitions and defined a successful ITP as:

*“A motivational tool to enhance productivity or achieve business objectives in which participants earn the reward based on a specific level of achievement set forth by management. Earners are rewarded with a trip and the program is designed to recognize earners for their achievements.”*

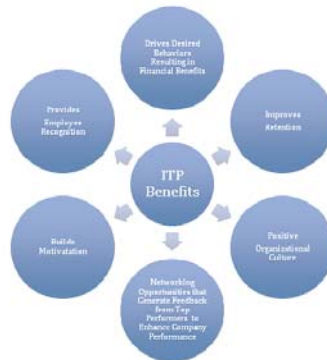
The deep analysis conducted in the research also uncovered five essential elements that, when combined, formed the core of the successful travel program. In essence, these were the items that made the program itself successful:

1. The earning and selection criteria for the reward were clearly tied to business objectives
2. Communication about the program and the progress participants were making toward goals was clear and consistent. Anticipation built throughout the year and kept employees motivated to achieve their objectives
3. The design of the travel program, including desirable destinations, interactive sessions and leisure time for the earners, added to the overall excitement
4. Executives and key managers acted as hosts to reinforce the company’s commitment to the reward program and recognition
5. The company kept detailed records that prove the productivity of the earners and their contributions to the company’s financial performance.

Additionally, to maximize the benefit of an incentive travel program the research concluded the event should include:

- recognition of earners
- networking opportunities for top performers to build relationships with other top performers and key management
- collaboration among top performers and management about best practices and ideas
- motivation of earners to continue to achieve high performance.

## Incentive Travel Program (ITP) Benefits



## ORGANIZATIONAL BENEFITS AND RESULTS

In analyzing this company’s incentive travel program, researchers concluded that the importance of such programs cannot be overestimated; their impact and value reach well beyond the typical event timeline. Earners of the incentive travel program are far from the only beneficiaries of the program. The sponsoring company, the destination and the suppliers all receive significant benefits as well.

Outside of providing networking opportunities and building participant motivation, research found that the incentive travel program afforded XYZ Corporation the following benefits:

- Positive organizational culture
- Employee recognition
- Retention of top performers
- Drives desired behaviors to meet or exceed financial and non-financial objectives

One of the strongest benefits the incentive travel program had on XYZ Corporation was the influence on corporate culture. One participant summed up this impact, saying, *“the incentive travel program creates a certain type of culture where people’s performance and contributions are appreciated.”* Likewise, a manager’s comments about ending the program noted that not only would it *“probably have a bit of a negative impact, both in terms of productivity, as well as the impact on the business”* but that *“if we’re trying to create a culture of pay-for-performance and recognizing contributions”* it would *“...definitely send the wrong message.”*

The program not only provides a venue to recognize and reward employees, but it extends beyond the length of the 3-day program as employees check rankings monthly,

and through this creates competitiveness within the organization.

## RELATIONSHIP TO TENURE, PERFORMANCE AND NOI

An additional measure of program success is its relationship to retention and performance. Since performance ratings and tenure were not direct qualifiers to earn in the program, researchers could study whether or not the ITP correlated independently to participant performance and tenure. Examining the tenure and company performance ratings of 105 of the employees who earned the incentive trip, researchers found that 55% of incentive travel earners had top performance ratings and tenure of 4 years or more, showing a very real correlation between incentives, longevity and quality. Overall, ITP participants tended to perform better and stay with the company longer than other employees. In fact, 88.5% of incentive travel earners had a high performance level of 1 or 2 compared to 31.2% of the control population.

The benefit to employee morale, motivation and performance are evident in the ratings provided by program participants. When participants were asked to indicate their level of agreement on a 4-point scale (1 = strongly disagree and 4 = strongly agree) with statements regarding the program’s motivational effect, the results for six major indicators landed squarely between “agree” and “strongly agree.”

- The ‘Helping Hands’ team-building exercise was engaging and motivating. **3.91**
- I was excited to learn what the next location would be for the incentive trip. **3.91**
- The 2009 destination announcement was funny and enjoyable. **3.89**
- Overall, the trip was enjoyable. **3.87**
- The incentive travel program is a good incentive to drive performance. **3.85**
- The incentive trip made me feel that the company truly appreciates me. **3.84**

It’s clear from these responses that both the incentive travel award and the recognition by corporate leaders motivate employees who participate in an ITP. They’re also excited about the opportunity to network with other high performers and share best practices. They tend to be proud of their achievements and the fact that they’re recognized as being the “best of the best.”

A multitude of “soft” benefits also contributed to “hard” financial success metrics. Researchers found that over a four-year period

there was a significant difference between the net operating income of non-earners and earners. The average change in net operating income for the earners was significantly higher than the average of non-earners.

Return on objectives (ROO) is another strong measure of ITP success. The table (right) illustrates how meeting objectives can be used to evaluate and assist an organization in measuring the results of an incentive travel program based on meeting objectives. This technique considers the outcomes a company is aiming for and sets measurable guidelines to meet those objectives.

### ECONOMIC IMPACT

Many destinations either don't track the specific dollar amount of incentive travel or lump it in with other corporate business travel. This makes it very difficult to estimate the overall economic impact. Recent economic studies, however, were able to show a multiplier effect that varied based on the specific region and the development of tourism in that region. This range is typically 1.3 to 1.7, which means if an incentive travel program spends \$1,000,000 in a particular destination and the region has a multiplier effect of 1.3, then the multiplier effect to the local economy would be \$300,000; if the region has a multiplier effect of 1.7, then the multiplier effect to the local economy is \$700,000. This means that in addition to the \$1,000,000 spent in the destination, there is an additional \$300,000 to \$700,000 benefit to the destination.

### ANECDOTAL EVIDENCE

Harder to quantify, but no less important in determining the value of rewards and recognition, are the "emotional measures" that bolster the case for these types of programs.

For example, the company's CEO says the biggest advantage to an incentive travel program is that it provides a way of standardizing a process across several company divisions and provides specific goals and standards within the company. When asked how the company measures the return on investment for the program, he simply says, "We don't. We don't measure it exactly, relative to the investment. I think our return or measurement is when we look around at the

## Illustration of Evaluation of an Incentive Travel Program

Level of Measurement	Meeting Objective	Results
0 Meeting Statistics	Have the top 10% of the company's producers attend. Incentive travel budget will be 5% less than budgeted.	245 earners attended the incentive travel trip. The incentive travel program was under budget by 10%.
1 Reaction, Satisfaction, and Planned Action	Attendees will rate the incentive travel program experience an average of 4.0 out of 5.0. Attendees will rate the business session (Round Tables) 4.0 or better.	Overall satisfaction with the incentive travel program was 4.8 out of 5. Round Tables ratings were 4.45 out of 5. Roundtable session was rated 4.5 out of 5.
2 Learning	Through the following activities, the attendees demonstrate and strengthen the core values of the organization. Attendees will rate the team building 4.0 or better.	The team building exercise was rated 4.9 out of 5. This was the highest rating of all activities.
3 Application	40% of earners will earn the ITP next year. 50% of earners will motivate another colleague to earn the trip next year.	45% of earners earned the ITP the following year. 30% of earners the previous year indicated they were motivated by past earners in some way.
4 Business Impact	Improve and/or maintain	Six months following the incentive trip, rankings indicate the following: <ul style="list-style-type: none"> <li>• Earner's performance is tracked over the following 6 track earner year over year</li> </ul>
5 ROI (includes intangible and tangible benefits)	Intangible Benefits: (rating of 4.0) <ol style="list-style-type: none"> <li>1) To let the earners know that the company truly appreciates their contributions.</li> <li>2) To use the incentive travel program to drive performance.</li> <li>3) Determine the value of the intangible benefits to the company.</li> </ol> Tangible Benefits:	Intangible Benefits: The rating for the two objectives individually was 4.84 out of 5. Tangible Benefits: \$1.2m / 300 = \$4000 per person Options: <ol style="list-style-type: none"> <li>1) Calculate the over-contribution of the earners compared to the non-earners to see if there is a significant difference that would justify expense.</li> <li>2) Use the ROI equation, if applicable</li> </ol>

*300 people there. Are those really the people that I, along with the senior management, feel are the movers and shakers and the drivers of our success? If they are and they're there, and they have a good time and they want to come back next year, then I think the investment's been worthwhile."*

Management's responses can be grouped into three distinct themes: 1) the contributions the program makes to organizational culture; 2) the importance of getting top performers and management together each year to network, exchange ideas and recognize performance; and 3) a motivational tool to drive desired behaviors of employees. Says one of the managers: "The program itself throws off a lot of collateral benefits in terms of top performers being together for a couple days and exchanging stories of opportunities, successes and challenges. I think this is invaluable. When you're able to network amongst your high performing peers, there's

*nothing but goodness that comes out."*

As for actual ITP earners, they feel the incentive travel program is a valuable part of the organization's culture, noting that recognition by top leadership makes them very proud and motivated. They also feel that networking with peers and executives creates positive synergy. "I think it's a combination of two things," says one participant. "First, I think the recognition is something that absolutely everybody strives for and wants to go. The second piece, which is just as important, is the networking opportunity with our peers, our executives and just to be able to be with the most successful people in the organization and the people that are driving the vision."

Perhaps the most interesting interviews are those conducted with service providers – the site selection people, destination management companies, hotels, airlines and ground transportation firms that depend on

the business that ITPs bring to a particular destination. These “invisible beneficiaries” are often overlooked by critics of incentive travel, despite the fact that there’s an obvious, well-documented connection between corporations canceling their programs and hotels, restaurants and airlines having to lay people off because business has slowed.

## THE ROLE OF HOSTS

To meet the business objectives of the incentive travel program, it is important to have the executive management team included in the incentive travel program. The CEO, Presidents, Vice Presidents, and Regional Directors of each corporate division are referred to as “hosts” for the incentive travel program. The primary responsibility of the host is to show earners how much their outstanding contributions to the company are appreciated. All participating hosts are assigned specific duties throughout the event and are required to attend all of the events, mingle with the winners and engage in all business sessions. They are not just there to recognize their employees who have earned the trip, but to play an active role in the program, to build motivation, listen to employees and participate with the earners throughout the 3-day event.

This allows the host or manager to learn firsthand from top performers and get feedback from their employee categories on issues that may be of interest for improvement or development. This opportunity not only allows management to build a personal relationship with their top performers, but also allows top performers to build a relationship with other top performers within the corporation.

## APPLICATION OF THE PIBI MODEL

Previous research conducted by Stolovitch, Clark and Condly offers an eight-step process in the “Performance Improvement by Incentives” (PIBI) model which:

- Identifies the areas of importance and relevance
- Provides guidance on the step-by-step procedures of implementation
- Allows decision makers to troubleshoot and correct the system if it is not yielding desired results.

The model (*right*) applies the current case study to the PIBI Model by showing how XYZ

Corporation incorporates the eight-stage process in the implementation of the incentive travel program. Although the XYZ Corporation has had the incentive travel program for 18 years, the PIBI Model can be used as a tool when changes in the program are made or earning criteria are altered. For example, within the last few years XYZ Corporation has acquired a couple of smaller companies. The acquisition of new employees requires XYZ to evaluate how these new employees will be incorporated into the incentive travel program.

Should they be included in existing employee categories? Should new employee categories be established and criteria set? The following illustration takes this scenario through each of the eight stages. Since XYZ is committed to the incentive program and believes it is a vital part of the organizational culture, the implementation of the incentive travel program to newly acquired employees is critical to the overall success of the acquisition.

## IN FINALE

It’s clear from the case study presented here that employees are motivated by both the incentive travel award they can earn and the recogni-

tion afforded to them by corporate leaders when they participate in the event. It’s also evident that incentive travel programs aid in the retention of excellent employees who are top performers for a company. Organizations like the one in this study that consider the expense of the program an investment in their employees and a means to maximize business outcomes are using this tool to its full potential.

From the design of the earning criteria to the blueprint of the travel program to the metrics used to measure corporate performance, this report provides a template that other organizations can use to drive desired employee behaviors that will contribute to overall profitability. Organizations that develop cultures based on employee recognition and rewards programs will be better positioned to survive, and even thrive, because their employees remain motivated and involved.

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- Research Funded by: *The Incentive Research Foundation*
- For a copy of the complete 108-page study, go to [www.TheIRF.org](http://www.TheIRF.org).

## Application of PIBI to XYZ Corporation

