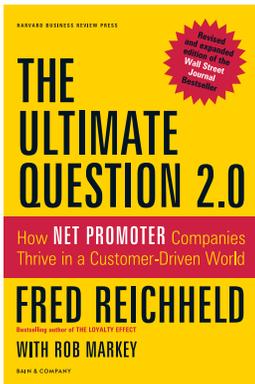


# Loyalty Insights

## Rewards and Recognition in the Net Promoter System®

By Rob Markey



Rob Markey is a partner and director in Bain & Company's New York office and leads the firm's Global Customer Strategy & Marketing practice. He is coauthor of the best-seller *The Ultimate Question 2.0: How Net Promoter Companies Thrive in a Customer-Driven World*.

Tanya Riley was at a team meeting at TD Bank when a van emblazoned with the bank's signature green colors and the words "Wow! the Customer" on its side screeched to a halt outside. Six TD employees piled out of the sliding door sporting green feather boas, huge floppy hats and green sequined bow ties. They sprinted into the building and then into the meeting where they rattled noisemakers and led the other employees in robust cheers for Tanya—the latest employee to be recognized for wowing a customer.

Not everyone gets this treatment, of course, but TD Bank recognizes all employees who create great customer experiences by hanging a small "Wow Moment" citation on the wall. A handful of these are nominated for regional awards—like Tanya's—and a few of those go on to a national award ceremony.

"I don't feel like this is a job," says Tanya. "To come to work to do something that I just absolutely love doing, and then to get recognized on top of that, it just really makes me feel... Wow. I don't ever want to leave this company."

Positive reinforcement is a powerful way to inspire the right behaviors. Yet too often, companies focus on negative reinforcement. They talk about "holding people accountable" for improvement. But it is many times more important to recognize and reward employees.

It's tempting to think that we're talking primarily about compensation here. For the most part, we're not. Recognition and rewards come in many forms, and while compensation is the most obvious way to reward employees, it's a blunt instrument. Incentive plans tend to be loaded with half a dozen initiatives or more. If 15%–20% of an employee's pay is incentive comp, that works out to about 1%–3% for each initiative. If you're trying to send a message about behavior that the company values, why rely solely on something as infrequent, blunt and watered down as incentive comp?

If you want to reinforce desired behaviors, small, regular, immediate rewards are far more effective: the day-to-day praise of a supervisor, daily recognitions of small victories in a team environment, regular recognition from senior leaders. Each can be delivered with precision and detail, and offer opportunities to tell stories that reinforce the behavior not just for one employee, but for all employees who hear them. And the most powerful

form of motivation? The satisfaction that comes from making a customer's life better. Net Promoter System companies tap into this natural human desire for intrinsic rewards. Most people enjoy knowing that they have made someone else happy or satisfied. Indeed, if your employees are receiving that feedback and don't find it motivating, you probably have the wrong employees (see Loyalty Insights "Hiring Right: How Companies Build a Customer-Focused Front Line").

Let's acknowledge up front that recognition is not something companies do naturally or easily. That's why compensation is such a common form of reward. The center can set it up, based on standard metrics and targets, and the center doles it out.

Recognition, by contrast, is handled by hundreds, even thousands, of teams across a company. That's more difficult. But done right—when it taps into and reinforces your employees' natural motivation to make other human beings happy—it can make your company truly stand out as a customer leader.

Let's take a look, then, at the variety of reward and recognition techniques available.

**Real-time feedback.** The central technique of the Net Promoter System—the one with the greatest

## Rewards and Recognition in the Net Promoter System®

impact—is to provide each individual piece of customer feedback as soon as possible to each of the employees who were involved in the transaction that produced that feedback.

Why is this so important? Because customer feedback tends to be overwhelmingly positive. Many people mistakenly assume that Net Promoter® feedback consists largely of detractor complaints, but the opposite is true. The average relationship or episode Net Promoter Score® for companies is in the 30–40 range—and much higher at some well-run Net Promoter companies. That means the front line hears significantly more positive feedback than negative.

And because employees hear it almost in real time, customer feedback is memorable. It comes in story form and allows the employee to remember—and feel good about—the specific behavior that produced that result. Such immediate, real-time feedback fosters learning (see Loyalty Insights “The Keys to Effective Learning”).

**Informal and formal storytelling.** Promoter stories can also be reinforced and shared in supervisor-led conversations or team huddles. Supervisors pick out a specific piece of feedback and have a conversation with the employee to explain what they believe the employee did that created such a positive experience and such a high score. This reinforces not just the score, but the behaviors that made the customer an enthusiastic promoter. Other types of reinforcement can include personal conversations, handwritten thank you notes or formal shout-outs during team huddles. One variation is a version of what TD Bank’s Tanya Riley experienced. Supervisors write up small citations for employees who create great customer experiences and include the story about what that employee did to create a promoter. Those citations are delivered in front of the employee’s other team members and also hung on the wall. This memorializes the behavior, establishes that behavior as a cultural norm and creates a goal for many employees: “I want my name and customer story hanging on that wall.”

**Coaching.** People often think of coaching as a way for supervisors to respond to mistakes and errors by employees. But some of the most effective coaching reinforces the behaviors that lead to organizational success. In the Net Promoter System, supervisors and managers regularly make follow-up calls to customers to discuss their feedback—negative and positive. The negative feedback creates coaching opportunities, of course, but the best managers also make sure they follow up with employees to share constructive feedback, to express pride in the employee’s actions—even if they diverged from standard practice. If the driving force behind company policies is to create promoters, but an employee broke from that policy because he or she saw a way to create a promoter for life, supervisors should celebrate the initiative and reinforce the behavior. At some companies we know, top executives also make a habit of making follow-up customer calls—and following up with employees.

**Award competitions.** Some organizations have competitions to ensure recognition is embedded in the culture and celebrated. At TD Bank, some of the “Wow” stories that go up on the wall are nominated for a regional award, and those employees get special recognition in front of their regional peers, as well as special training, access to company leaders—and even a premium parking spot. A few of these go on to a national award ceremony, and the very best are rewarded with a trip, a dinner with the CEO or other perks. And at every level, the emphasis is not on a score, but on a story: which behaviors and what actions produced this result.

**Peer recognition.** For many employees, the most meaningful recognition often comes from colleagues and teammates. During huddles at some companies, employees identify colleagues who contributed the most to their ability to serve customers. When employees regularly give each other shout-outs for making it easier for the team to serve the customers better, such gratitude becomes infectious and creates a deeper sense of communal purpose.

**Executive recognition.** Executives often have more influence than they fully understand, and the symbolic messages they send through the positive reinforcement can have a huge impact on employees. Executives who take the time to recognize an individual or a team create real momentum. And it's just as important for those executives to explain why they're recognizing those people—to preach what they practice, if you will—as it is for them to spend the time in the first place. Employees can be remarkably quick to ascribe motives to executive behavior, but often misinterpret it. When an executive takes time to recognize people for the right behaviors, it's a golden opportunity to teach the company's values.

Executives who do this discover a surprise bonus: It's good for the soul. Senior executives often find themselves caught up in the various fire drills that inevitably arise in a business. Taking time to recognize employees is a personally rewarding and meaningful way to reinforce the business strategy and walk away feeling better about the company and what you've achieved collectively. Likewise, executives who get involved in recognizing loyalty-earning behavior also increase their understanding of what they need to do to enable those behaviors.

At Vanguard, Martha King, the managing director of a business unit, made follow-up calls along with the rest of her senior team. They regularly spoke to frontline employees, shared the positive feedback they were hearing from clients and expressed gratitude for the hard work that made that possible. That made employees feel recognized, to be sure, but it also gave those executives personal insights into what sorts of behaviors inspired real gratitude from customers.

**Goals and objectives.** Accomplishments are motivating. One way to instill a sense of achievement is to set aggressive goals and then achieve them, such as improvements in Net Promoter Scores, retention, revenue per customer, cross-selling, referrals or first-call resolution. It's hugely rewarding to

know that you're on a winning team, doing a better job of serving your customers, whether that comes from internal measures or in the form of awards from third parties such as industry associations or companies like J.D. Power. Some goals can be simple achievements: Creating one more promoter each day, helping a colleague master a new skill or simply trying to offer positive feedback—or gratitude—to a colleague one more time per week.

**Compensation.** With some caveats, there are still plenty of situations where compensation is an important part of the rewards system. For senior executives, it's almost always a good idea to link their goals and incentives to competitive improvement measured by competitive benchmark Net Promoter Scores (see Loyalty Insights “The Benefits of a Competitive Benchmark Net Promoter Score”). Such benchmarks measure performance against a high-level corporate goal that links directly to the business strategy. Executives can influence performance, but can't game the scores.

Using compensation as a reward for customer-facing employees, on the other hand, can be dangerous. In the early days of a Net Promoter System, it's almost always unwise to use customer-based feedback as a source of evaluation and incentives. An organization new to the system typically has limited skills for achieving fundamental improvement, and the temptation to game scores is high. Eventually, you do want to include Net Promoter Scores in incentive compensation, but the key is to do so only after you have established trust in the system and reached a point where people believe they can influence the outcomes. In a Net Promoter System, this implies that you have met six conditions. We've described these elsewhere (see Loyalty Insights “Your Best Employees Work for Love, Not Money”), but here's a quick run-down of those requirements:

- **An established, stable system with reliable metrics.** Only when everyone in the organization can see that the feedback is accurately collected and measured will they believe that the scores are reliable.

## Rewards and Recognition in the Net Promoter System®

- **Crystal-clear links between scores and financial and strategic outcomes.** Changes in incentive compensation make sense to people only when those changes help the business succeed by encouraging the right kind of discretionary effort.
- **Processes and tools that help employees understand root causes.** The heart of the Net Promoter System consists of employees and supervisors who figure out what delights or angers customers and then take action (or recommend changes to higher-ups). But if they don't understand the root causes, they can't affect the feedback and are powerless to affect their incentive compensation.
- **Organized learning.** The more that frontline employees can learn from each other and from supervisors, the faster they will progress. That makes for a better customer experience, which then generates better ratings and higher bonuses—and encourages more learning. It's a powerful virtuous cycle, but getting it started means putting those opportunities in place.
- **Repeated communication.** Companies should regularly remind employees of the incentive plan's goals and motivations, how it should function and what they can do to increase their own compensation.
- **Strong anti-gaming rules.** It should be a firing offense to talk to customers about the scores they will ultimately give you. The best companies watch for patterns that suggest tampering and audit the feedback.

**Negative consequences.** For senior executives, there should be an upside for gaining ground vs. the competition and a downside for losing ground, because that adds or destroys value. At Enterprise Rent-A-Car, if your team is in the bottom quartile on its Enterprise Service Quality index, you can't be promoted. Likewise, companies need to watch out for incentives that can

harm customer relationships. Sales is one obvious example; companies need to create clear consequences for anyone who makes a sale that results in an unhappy or angry customer. One insurance company divides salespeople into quadrants. Those who make lots of sales but also create lots of detractors are penalized.

Rewards and recognition take many forms, and this is not an exhaustive list. Not long ago at Jet-Blue, for example, the vice president responsible for the airline's flight attendants explained in her auto-reply email message why she was out of the office: She was in the air, filling in for a flight attendant whose customer feedback was so consistently great that she had been given the day off. What that example and the techniques described above have in common is that they all aim to reward employees and build a culture built around the intrinsic motivation to have a meaningful job; to do something that makes customers and your peers happier. 

## *Shared Ambition, True Results*

**Bain & Company is the management consulting firm that the world's business leaders come to when they want results.**

Bain advises clients on strategy, operations, technology, organization, private equity and mergers and acquisitions. We develop practical, customized insights that clients act on and transfer skills that make change stick. Founded in 1973, Bain has 53 offices in 34 countries, and our deep expertise and client roster cross every industry and economic sector. Our clients have outperformed the stock market 4 to 1.

### **What sets us apart**

We believe a consulting firm should be more than an adviser. So we put ourselves in our clients' shoes, selling outcomes, not projects. We align our incentives with our clients' by linking our fees to their results and collaborate to unlock the full potential of their business. Our Results Delivery® process builds our clients' capabilities, and our True North values mean we do the right thing for our clients, people and communities—always.



For more information, visit [www.netpromotersystem.com](http://www.netpromotersystem.com)

For more information about Bain & Company, visit [www.bain.com](http://www.bain.com)

AMSTERDAM • ATLANTA • BANGKOK • BEIJING • BENGALURU • BOSTON • BRUSSELS • BUENOS AIRES • CHICAGO • COPENHAGEN • DALLAS • DUBAI • DÜSSELDORF  
FRANKFURT • HELSINKI • HONG KONG • HOUSTON • ISTANBUL • JAKARTA • JOHANNESBURG • KUALA LUMPUR • KYIV • LAGOS • LONDON • LOS ANGELES • MADRID  
MELBOURNE • MEXICO CITY • MILAN • MOSCOW • MUMBAI • MUNICH • NEW DELHI • NEW YORK • OSLO • PALO ALTO • PARIS • PERTH • RIO DE JANEIRO • ROME  
SAN FRANCISCO • SANTIAGO • SÃO PAULO • SEOUL • SHANGHAI • SINGAPORE • STOCKHOLM • SYDNEY • TOKYO • TORONTO • WARSAW • WASHINGTON, D.C. • ZURICH