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NICE PERFORMANCE MANAGEMENT

Benchmark Study Report

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HOW DOES YOUR PERFORMANCE DATA STACK UP?

INTRODUCTION

Welcome to the NICE Systems Performance Management benchmark study!

What do organizations with performance-driven cultures have in common? They consistently outperform their peers and their teams are tightly aligned around common data and goals. In our experience, these companies focus on behaviors and activities to drive better customer experiences while reducing cost of care. Frontline employees take daily action to self-correct while supervisors are accountable for targeted coaching. Consequently, leaders seek to improve their approach to performance management. This report serves to help you compare your approach to other companies and identify specific opportunities for a competitive advantage.

At several points in this report we will compare the results of our 2013 benchmark study to a 2006 study conducted by Merced Systems, which was acquired by NICE Systems in 2012. The audience for both studies has remained the same. We have repeated many of the questions to highlight how much practices have changed and to demonstrate how much improvement opportunity remains for performance management.

EXECUTIVE SUMMARY

Whether you are an organization leader or a frontline employee, to improve performance you have to know where you stand. For that, visibility into how your performance compares to targets and to peers is needed. That is the driving purpose of this study—to help you understand how your organization stacks up.

We asked performance management professionals a series of questions to better understand trends and best practices. Our results highlight several opportunities for organizations to amplify their performance. We've grouped both the trends and the opportunities into two high level themes:

1. Improving Customer Experience

We compared our 2013 study results to the results of the 2006 study. In the intervening years there was a huge leap in the amount of performance data collected and communicated. In fact, 72% of organizations use multiple systems to track employee performance—usually Excel and Homegrown.

We are enthused by the focus on performance management, but the study highlights a risk we call the 'multiple sources of truth challenge.' Organizations with multiple performance management systems spend a lot of time and money rationalizing data. In our study, **57% of organizations named complexity as their biggest pain point.** The greatest complaint from supervisors is that they spend too much time crunching numbers and not enough time coaching the frontline.

The solution is **alignment**, and that requires a single source of truth. Organizations that use commercial performance management technology were upwards of 20% more likely to exceed their customer experience and employee satisfaction goals. Align your organization around common data and goals to efficiently drive results.

2. Driving Employee Engagement

The primary prerequisite to delivering a great customer experience is having employees that are engaged in their work. Third party studies have shown that highly engaged employees are twice as likely as disengaged employees to take accountability for improving customer service. According to our calculations, the turnover and low productivity of **disengaged employees costs the average 1,000 agent contact center more than $2,000,000 per year.**

Yet, our study results indicate that, at this point, employee engagement is more rhetoric than results—a huge opportunity for thought leaders to take action. Only 12% of organizations have a program to solicit ideas and best practices from their frontline; 65% of the organizations have ideas developed from the top and communicated down.

We found that engagement mainstays—contests and competitions—had changed little over the past decade. And while 88% of organizations run performance-based contests, two out of three do it on a monthly, or less frequent, basis using traditional trophies and financial incentives as rewards. This is an opportunity for thought leaders to get in front of an oncoming gamification wave. Using game mechanics (levels, progress, badges, etc.) motivates employees to onboard up to 90% faster and adds 70%+ more skills.

In summary, there is growing focus on performance management and, as programs develop, leaders will demand results. That requires alignment across an organization and around its common data and goals—based on a single source of truth. It also requires daily frontline **action** to contribute ideas, add skills and exceed targets. The result is a performance-driven culture that consistently delivers great customer experiences at a lower cost of care.

SURVEY METHODOLOGY

Our goal with the Benchmark Study is to understand trends and best practices in performance management, so we reached out to contacts with "performance management" in their title and/or area of responsibility. This included a mix of NICE customers and non-customers.

Our email invitation was sent out and participants completed the survey between March 28, 2013, and April 30, 2013. Individuals who completed the survey were offered advanced access to this final report.

PARTICIPANTS

Participants from over 130 companies submitted their responses. They represent a balanced mix of operation sizes, from contact centers with less than 100 frontline employees to contact centers with more than 5,000.
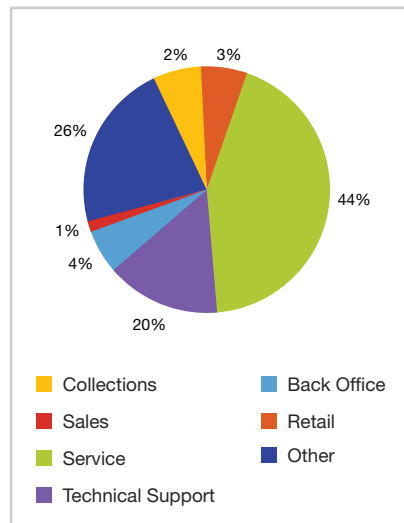
A vast majority of survey respondents were from service (44%) and support (20%) operations, with slivers covering sales and back office. We anticipated this since service operations are more awash in performance data and have been faster to adopt performance management practices.

Participants' Operation Size

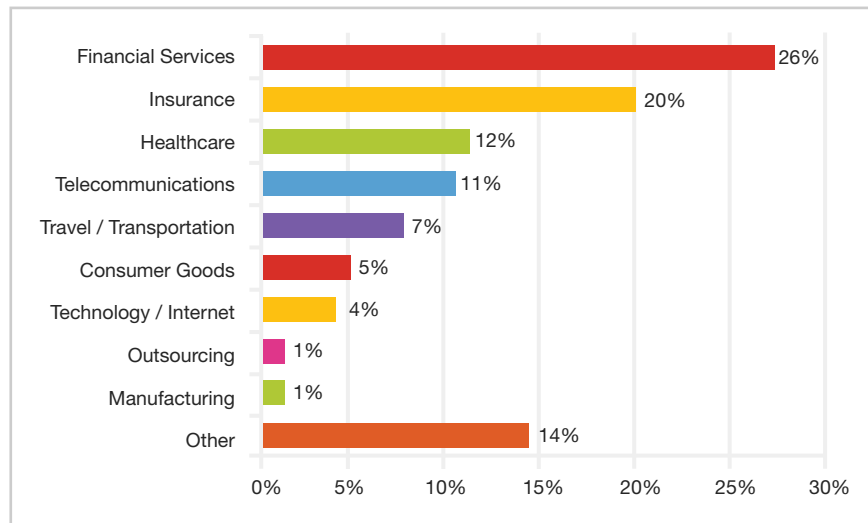| Operation Size	Percentage
<100	11%
100-499	27%
500-999	14%
1,000-1,999	18%
2,000-4,999	10%
5,000+	20%
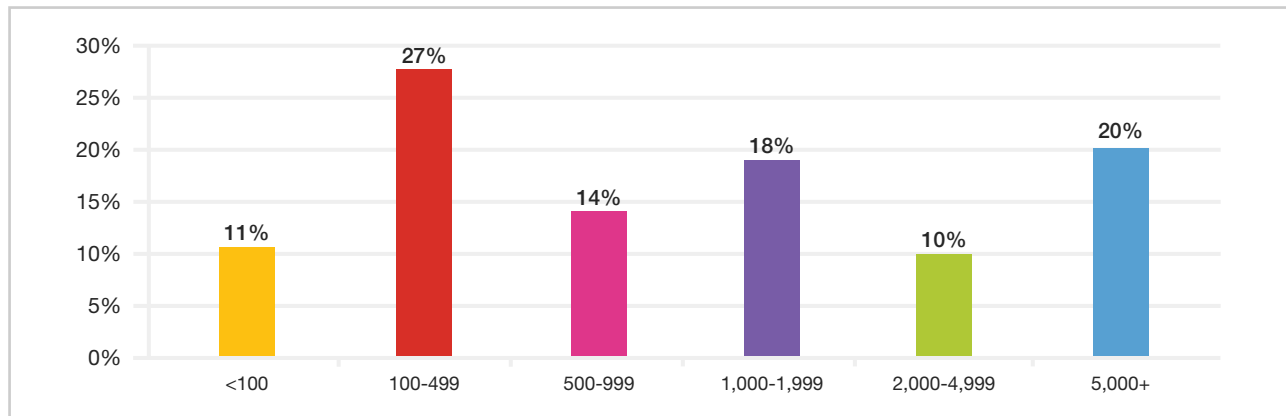
With regard to industry representation, heavy concentrations of respondents were from Financial Services (26%) and Insurance (20%), with Healthcare (12%) and Telecommunications (11%) well covered.

Survey Department Representation

Department	Percentage
Collections	2%
Sales	1%
Service	44%
Technical Support	20%
Back Office	4%
Retail	3%
Other	26%

Participants' Industry Representation

Industry	Percentage
Financial Services	26%
Insurance	20%
Healthcare	12%
Telecommunications	11%
Travel / Transportation	7%
Consumer Goods	5%
Technology / Internet	4%
Outsourcing	1%
Manufacturing	1%
Other	14%

STUDY FINDINGS

The study identified both challenges and opportunities for performance management. Findings are grouped into two themes: (1) Improving Customer Experience and (2) Motivating Employee Engagement.

1. IMPROVING CUSTOMER EXPERIENCE

Companies have come to realize that a great customer experience is a copy-proof competitive advantage that amplifies lifetime value. Survey respondents felt they were ahead of the curve on this dimension—85% stated they were meeting or exceeding their customer satisfaction goals. These results reminded us of a 2006 Bain study in which 80% of companies said they offered a "great" customer experience. When Bain surveyed the customers of those companies, only 8% of customers claimed they received a "great" customer experience (Bain Consulting, 2006).

Customer Satisfaction	%
Significantly	4%
Above Goal	42%
At Goal	39%
Below Goal	14%
Significantly Below Goal	1%

That is a significant gap and proof that leaders can sometimes be disconnected from what is happening at the frontline. That's why, in our experience, the most critical ingredient to improving customer experience is alignment. Companies with the top customer experience scores have total alignment around data, goals and actions that matter most to the customer. But, what are survey respondents doing to drive that sense of alignment?

A. Measure

As focus on performance management increases, so do the ways it is measured. We asked respondents to identify what primary system they were using to manage service performance:

There has been a significant increase in all systems of record since 2006. However, Excel and Homegrown solutions continue to be used most frequently. Perhaps the most notable change in the past years is the increase in companies using multiple systems to manage performance data. While we support the energy and intent, it is our experience that 'multiple sources of truth' actually erode transparency and accountability (see sidebar).

Performance Management Pain Point	% of respondents
Availability Data is not shared across the organization	35%
Accuracy Data is not always trusted to be accurate	36%
Complexity Data requires manual manipulation	57%
Timeliness Data is not always available in time to inform decisions	41%
Accountability Data is not used to make changes and decisions	41%
Value Data is incomplete or irrelevant	18%

B. Communicate

As organizations measure performance data in more systems, they are also communicating results through more channels. Use of every channel has increased since 2006, with leaps in verbal communication (+49%), wallboards (+30%) and dashboards (+25%). Verbal communication and wallboards are easily forgotten and/or erased. While increased communication emphasizes the importance of performance, it exacerbates the multiple sources of truth challenge. There is a huge opportunity for organizations to focus attention and communication on a single channel, otherwise the risk of overwhelming and confusing the frontline increases substantially.

Communication Channels

Channel	2013	2006
Online bulletin board	20%	5.9%
Personalized online dashboard/report	51%	25.7%
Email with Excel or PDF attachments	49%	26.7%
Hard copy report	39%	19.8%
Communicated verbally	60%	10.9%
Wallboards/whiteboards	33%	3.0%
Other	5%	7.9%

We also asked respondents if their frontline employees were using performance data to self-correct. Almost 40% said that their frontline was NOT using performance data to self-correct. This is an important gap—performance data that is not put into action has limited benefit.

> *Mark Smith of Ventana Research shared the same view in his article on 'The Four Types of Discovery Technology For Using Big Data Intelligently.'*

> *"Just serving reports and dashboards faster and in prettier forms in many cases is not going to provide the critical insights. Putting more charts in dashboards or embedding key performance indicators are not smart strategies for guiding business improvement."*

> *Organizations that want to drive self-correction should look to personalized dashboards and portals. Respondents that used these as their primary channel to measure and communicate performance data had higher rates of frontline self-correction and employee satisfaction.*

C. Coach

The supervisor plays a critical role in performance management. They take measured and communicated data as input and translate it into coaching. In a Customer Contact Council study, 89% of respondents said that the most important supervisor responsibility was coaching and staff development.

This leads us to ask, "Are organizations effectively enabling their supervisors?" Our research exposed some tension—the use of performance data has a negative correlation with time spent coaching. Supervisors faced with multiple sources of truth must make a choice: spend their time manually crunching and rationalizing performance data, or spend their time coaching their people.

Supervisors use data to prioritize people and topics for coaching:

Strongly Agree	26%
Agree	52%
Neither	14%
Disagree	7%
Strongly Disagree	1%

Supervisors spend enough time on coaching and development:

Strongly Agree	6%
Agree	29%
Neither	20%
Disagree	38%
Strongly Disagree	6%

Organizations seeking to develop a performance-driven culture must consider how to transform their supervisors into effective coaches. A good start is freeing them from analysis so they can spend their time coaching. Leading organizations in this area are throwing aside guidelines that require every employee have two coaching sessions per month. Instead, they focus coaching with the second and third quartile performers with the potential to be top performers. Consider how your performance management approach can better target people and topics for coaching, to provide supervisors with more focus.

TAKEAWAY

Our study suggests the primary barrier to delivering a better customer experience is alignment. A proliferation of performance management systems and communication channels is introducing complexity and eroding accountability.

Emphasis on performance management spurred this proliferation and will eventually produce consolidation to a single source of truth—as organizations demand proof of business impact. In our study, organizations that used commercial performance management solutions (rather than Excel, business intelligence or Homegrown solutions) were significantly more likely to be exceeding their customer satisfaction goals. We recognize our bias, but we strongly believe that a performance management system can serve as the single source of truth that drives alignment on data and goals across an organization.

2. DRIVING EMPLOYEE ENGAGEMENT

The number one prerequisite for companies that want to deliver a better customer experience is engaged employees. 88% of highly engaged employees believe they can positively impact their company's products and services; whereas, only 38% of disengaged employees feel the same way (Towers Perrin, 2008). Furthermore, disengaged employees are expensive. They are three-to-five times more likely to leave their job—resulting in more recruiting and training costs; while they are at work, disengaged employees are 43% less productive (Gallup Management Journal, 2011). Running the numbers, a 1,000 agent contact center loses more than $2,000,000 at the hands of disengaged employees every year. These numbers were powerful, so in our study we pursued a line of questioning to understand what companies were doing to engage their employees. Based on the responses, there are three clear areas where organizations can improve:

A. Target

The first step to motivating improved performance is to set performance targets. We have observed that targets need to reflect the changing nature of a service operation. Frontline employees change teams, handle different call and customer types, and acquire new skills. Their targets need to be just as fluid. In our study, we were impressed that organizations were accounting for multiple factors in setting goals, but disappointed by their frequency. Two out of three organizations that responded to our survey set goals monthly or less frequently.

Multiple Factors in Goal Setting

Peers - everyone has the same targets	66%
Manager's targets	45%
Seniority	16%
Call type / Worktype handled	72%
Customer type handled	47%
Other	4%

Goal Setting Frequency

Never	Annually	Quarterly	Monthly	Weekly	Daily
4%	27%	5%	33%	6%	25%
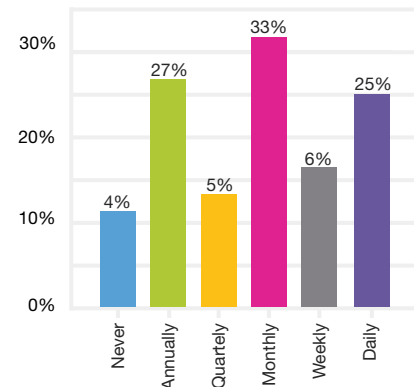
In organizations with long goal periods, there are employees hitting quotas in the first week of the month and then coasting the following three weeks. Or, vice versa, employees that fall well below service levels for the first part of the period can compensate with a great finish. In both cases, costs are imposed on the business in terms of lost productivity or sub-par customer experiences.
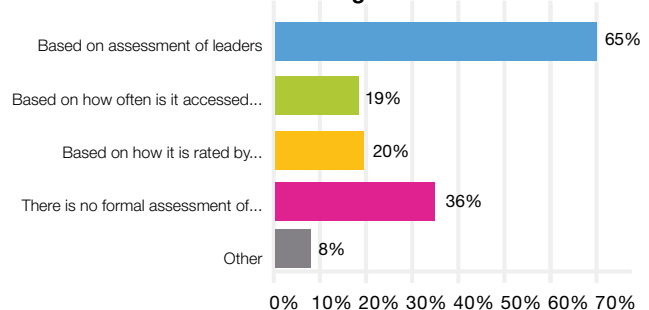
We found a strong correlation between a performance management system and target frequency. Organizations that use Excel and Homegrown solutions are far more likely to have monthly or annual targets; whereas, those with commercial performance management solutions are highly likely to be setting dynamic daily goals. This ensures employees are accountable for their performance every day.

B. Share

Since the frontline is interacting with customers in-the-moment, they are often the richest source of ideas for improving customer experience; however, their input is not often solicited.

The Employee Involvement Association has found that organizations that invite their frontline to share ideas identify $48K in cost savings for every one hundred employees. In our study, only 12% of organizations had a program to invite ideas from the frontline.

How does your organization assess the quality of ideas and content that gets shared?

Based on assessment of leaders	65%
Based on how often is it accessed...	19%
Based on how it is rated by...	20%
There is no formal assessment of...	36%
Other	8%

In their article, 'Encouraging Front-Line Employees to Rise to the Innovation Challenge', Naveed Moosa and Patiwat Panurachin note:

"Front-line innovation results in many ideas with local application that require fast, simple, and cheap development, whereas centrally developed innovation results in few big ideas with company-wide application, that require time-consuming, complex, and expensive development"

Even less organized is the assessment of ideas. 65% of organizations rely on leaders to determine the quality of an idea (typically theirs). Others have no assessment of quality. It's clear that idea generation and communication remains a top-down activity. Organizations are failing to mine their frontline and to document proven best practices.

C. Motivate

Organizations striving for a performance-driven culture need to properly measure and motivate their people. Often that takes the form of contests and competitions among teams and/or individuals. It can be a sales tracker on a white board, or an employee of the month plaque. We asked participants how often they use these techniques to motivate employees. More than two out of three organizations run contests once per month or less frequently.
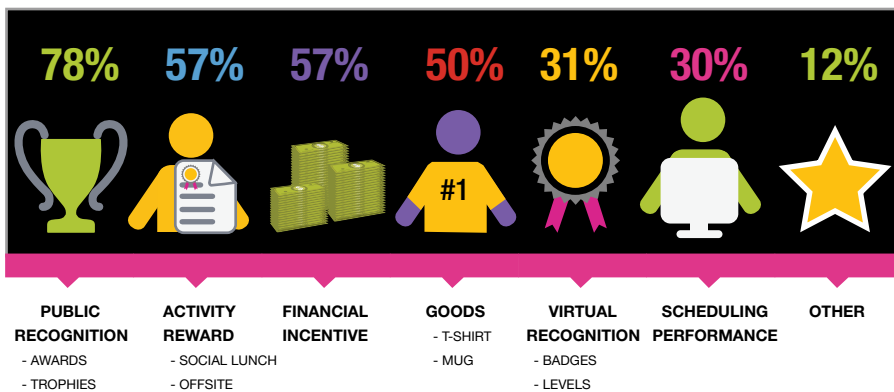
How often does your organization use performance motivation techniques?

Frequency	Percentage
Never	12%
Annually	8%
Quarterly	21%
Monthly	37%
Weekly	9%
Daily	12%
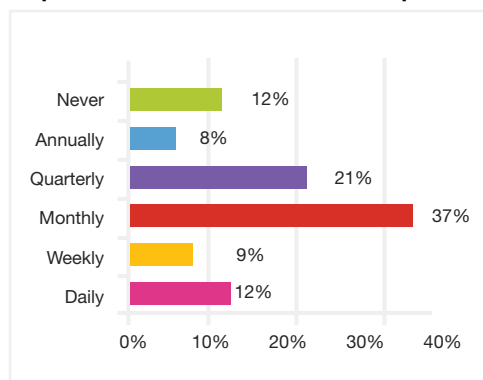
Are they missing an opportunity to engage their people? Of the companies running daily contests, 78% were meeting or exceeding their employee satisfaction goals. Only 55% of the companies with monthly or less frequent contests were exceeding their employee satisfaction targets.

Frequency is one way to drive employee motivation, another way is incentives. We asked what kinds of rewards companies were using in their contests and competitions—most use traditional rewards like awards and trophies (78%), activities like paid lunches and offsites (57%) and financial incentives (57%). Further down the list was virtual recognition (31%), part of a gamification strategy, which highlights an opportunity.
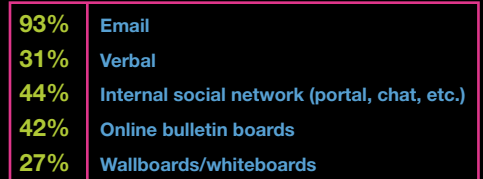
What kind of rewards are companies using in their contests and competitions?

78%	57%	57%	50%	31%	30%	12%
PUBLIC RECOGNITION	**ACTIVITY REWARD**	**FINANCIAL INCENTIVE**	**GOODS**	**VIRTUAL RECOGNITION**	**SCHEDULING PERFORMANCE**	**OTHER**
- AWARDS - TROPHIES	- SOCIAL LUNCH - OFFSITE		- T-SHIRT - MUG	- BADGES - LEVELS		

EMBRACING COLLABORATION

We further explored the concept of 'creating and sharing ideas' by asking respondents how new ideas and content were being communicated throughout their organization.

How are new ideas and content communicated throughout the organization?

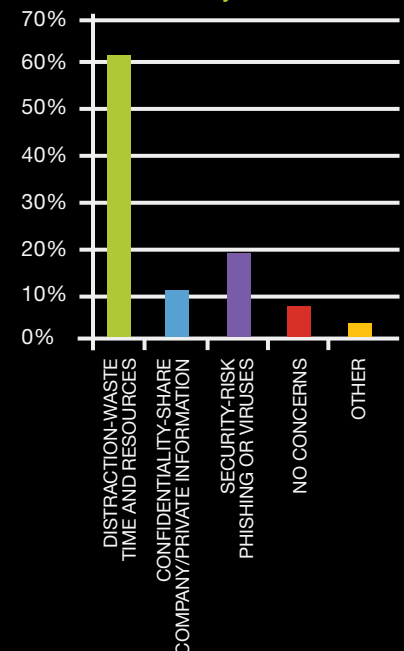| %	Method
93%	Email
31%	Verbal
44%	Internal social network (portal, chat, etc.)
42%	Online bulletin boards
27%	Wallboards/whiteboards

Email and verbal communication were the primary methods used to share content. We were surprised to find that only about 40% of organizations were utilizing their internal social networks and online bulletin boards to share ideas. These avenues foster a two-way dialogue, where ideas can surface bottom-up, and the crowd can rate their viability.

That said, our study showed that over 70% of organizations restrict access to external networks, and 37% restrict access to internal networks. Why? There's a persistent fear that these networks can devolve into a free-for-all. More than 60% of respondents said their biggest concern is that these networks are a distraction—a far bigger issue than security or confidentiality.

It's time to reframe the business case. Controls can be put on an internal network to manage what can be posted. Employees can be focused on adding to and rating a body of best practices. The right technology drives engagement and action.

In your opinion, what is the primary concern with allowing access to social networks on the job?

Concern	Percentage
DISTRACTION-WASTE TIME AND RESOURCES	~61%
CONFIDENTIALITY-SHARE COMPANY/PRIVATE INFORMATION	~11%
SECURITY-RISK PHISHING OR VIRUSES	~19%
NO CONCERNS	~8%
OTHER	~4%

The concept of gamification has been around for years, but it is becoming more mainstream. In brief, it is the use of game mechanics—levels, badges, distinctions—to engage people to learn new skills and complete challenges. Adoption has been slowed by many organizations assuming gamification equated to fun and entertainment; but they now understand it is a poweful way to measure and motivate performance.

This is the exact reason that NICE partnered with gamification leader, Bunchball. Introducing game mechanics into onboarding, training, and performance has proven to ramp up employees up to 90% faster, increase skills by more than 70%, and retain talent. Bunchball sums up this concept in their Enterprise Gamification Whitepaper:

"Businesses that can use the onboarding and mastery techniques from games to drive employee adoption, ongoing engagement, and increases in employee performance & mastery, will see benefits in both employee engagement and the bottom line."

TAKEAWAY

Service organizations deliver results when they can drive consistent action at the frontline—engaging their employees to deliver better customer experiences at a lower cost of care.

When it comes to employee engagement, organizations have plenty of room for improvement; our study highlights two examples: First, looking to the frontline to generate and share ideas from the bottom-up. Rather than one-way verbal and email communication, organizations can use technology to foster collaboration; and second, leveraging innovations like gamification to motivate employees. Digital badges are certainly lower cost than financial incentives, and organizations can run multiple contests and competitions in parallel to ensure employees are always challenged to learn and grow.

For service organizations to deliver results, they should take advantage of the right technologies and focus on business execution. To ensure successful execution, a service organization must continuously analyze how teams are performing against goals and execute purposeful coaching to adjust and realign when necessary. Gamification can focus people on those practices, and promote a more engaged workforce that is better positioned to deliver great customer experiences.

CONCLUSION

Organizations recognize that performance management is a potential source of competitive advantage. Companies that foster a performance-driven culture deliver better customer experiences at lower cost. As a result, focus on performance management practices has increased and produced more data and communications; the outcome is more complexity.

Complexity can be minimized by aligning people around common data and goals, and then there can be focus on accountability and action at the frontline. This benchmark study has demonstrated how alignment around a single source of truth can focus the frontline on activities and behaviors that matter most to customers. The study also identifies how organizations can use collaboration and gamification technology to engage their people in sharing ideas, self-correcting and expanding their skills.

Performance management has created an opportunity for change agents. Transform your company culture—drive alignment around a single source of truth and engage your people in taking action every single day.

ABOUT NICE SYSTEMS

NICE (NASDAQ: NICE) is the worldwide leader of software solutions that deliver strategic insights by capturing and analyzing mass quantities of structured and unstructured data in real time from multiple sources, including, phone calls, mobile apps, emails, chat, social media, and video. NICE solutions enable organizations to take the Next-Best-Action to improve customer experience and business results, ensure compliance, fight financial crime, and safeguard people and assets. NICE solutions are used by over 25,000 organizations in more than 150 countries, including over 80 of the Fortune 100 companies.   www.nice.com

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