

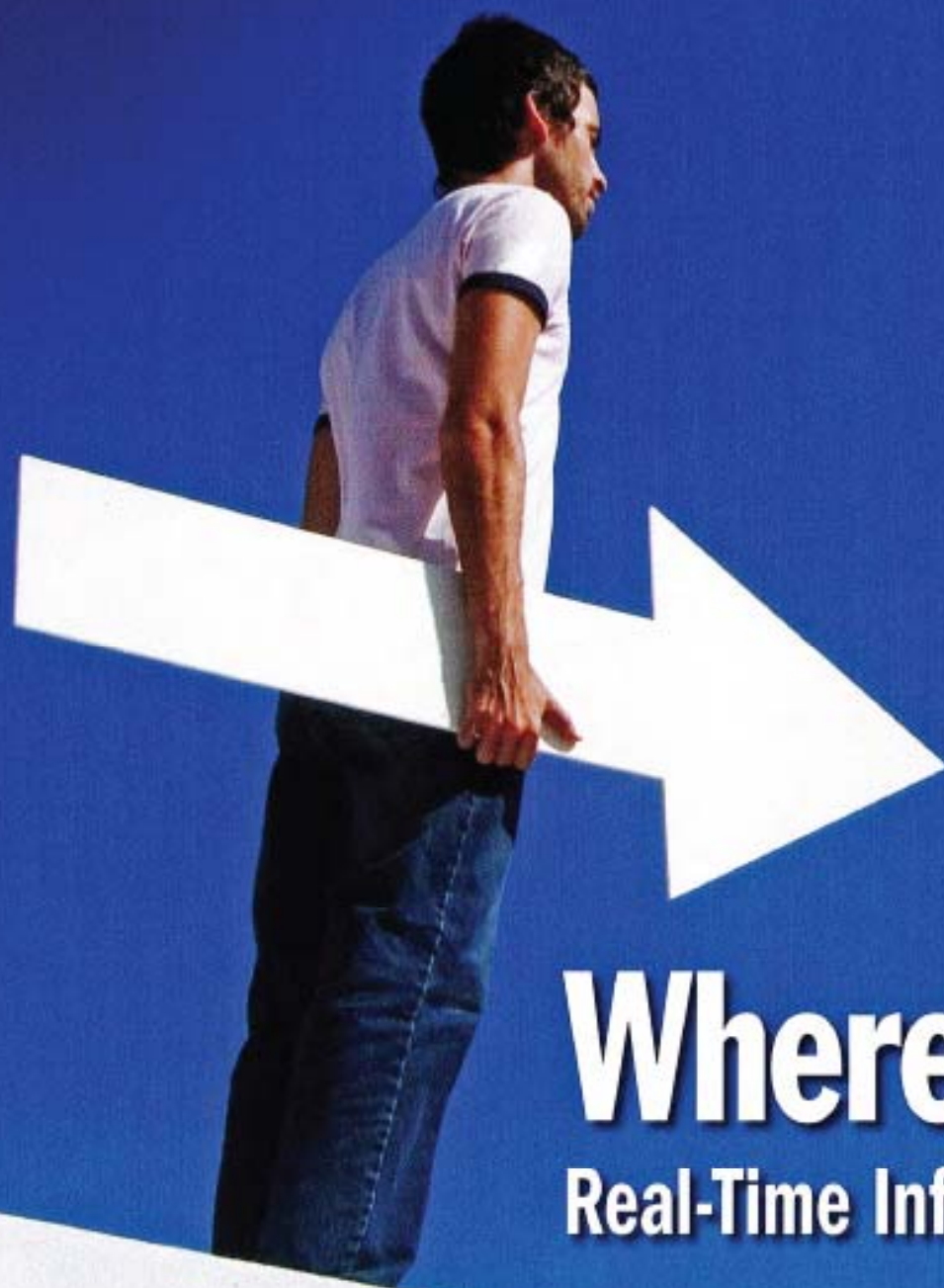
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# Pay & Benefits

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Leading the way for payroll and benefits professionals



## Where now?

### Real-Time Information

# TIED TOGETHER

**Strategic employee recognition programmes are linked to company values. Derek Irvine discusses how they can also help businesses foster an engaged and productive workforce and why cash is not always king.**

The High Pay Commission, an independent inquiry into high pay and boardroom pay across the public and private sectors in the UK, recently released an interim report entitled *More for less: what happened to pay at the top and does it matter?* (2011). The report found that executives and senior staff received relatively high salaries and significant associated bonus packages when compared with average workers.

So you may be asking: what benefit can bonuses provide in terms of employee performance? Is this type of reward worth the investment?

If your goal for employee rewards is higher engagement and peak employee performance in the future, the answer, widely proven in many research circles, is a resounding no. By definition, compensation is the receipt of something that is owed; as a result, it rarely leaves an employee feeling as if they have been treated or rewarded with something symbolic of their achievement. As such, cash bonuses are viewed as compensation and do not have the motivational impact on staff morale and engagement.

Cash awards simply cannot reinforce the messages you are trying to send

and are also easily forgotten. Whether the reward is added to the employee's monthly salary, provided on a debit card or as bank notes, the extra money given will often be spent on everyday necessities. These include petrol or groceries, not on something memorable and personally meaningful to the recipient. Most importantly, as cash is tied to one's compensation, it becomes expected in a phenomenon called reward inflation. This is where even as the monetary value of a cash reward increases, the employee's appreciation diminishes over time, as they start to expect more money with each reward. Also, much like salary discussions are often taboo at the dinner table, so are bonus conversations when they are cash-based. However, nobody would be lost for words when raving about a special gift of experience they chose for themselves while chatting with their colleagues.

Unfortunately, the long-term result of bonuses falls short of the desired goals for many businesses. So while cash rewards may seem like a quick and easy fix, they simply do not generate the same levels of employee engagement



as strategic recognition programmes. In acknowledgement of this, many of today's leading global organisations are offering non-cash rewards to recognise their employees and drive a more engaged, productive workforce in the process.

So what does a successful employee recognition programme – one that engages staff, drives desired behaviours and performances – look like? What are some of the strategies that can be used to build a programme that fosters a culture of appreciation?

### **Provide the power of choice**

Non-cash rewards in the form of gift cards or certificates to local high-value retailers, lifestyle venues and experiences take rewards far beyond compensation,

giving the recipient guilt-free enjoyment of a high-end luxury item, entertainment event or travel adventure. These tangible symbols of achievement are lasting reminders of a job well done, and reinforce the value of the recognition programme to colleagues and across the rest of the company.

Offering a wide spectrum of culturally relevant and personally meaningful rewards to employees – regardless of generation, location or cultural background – is critical to motivating a workforce.

Providing employees with merchant or gift card options specific to their country means they can redeem their awards for items or experiences that are relevant and personal to each individual. This enables today's

organisations to appeal to the multiple generations that characterise today's workforce – all of whom have different tastes, expectations and time pressures.

### **Tie rewards to company values**

A 2007 Deloitte/*The Economist* study stated: "Many people find their work pointless and unfulfilling. They show up and do what's expected but that's about all. The result is low productivity, low morale, and high turnover. One way to reverse this trend is to actively build and sustain a sense of personal and organisational mission."

Effective strategic recognition efforts bring core company values to life through the daily activities of employees spanning multiple generations and multiple geographies, infusing them into the very fabric of the organisation. When rewarding employees, regardless of the type of award, be sure to tie the "job well done" to the company value demonstrated. Strategic recognition programmes reward people for actions and behaviours that reinforce company values, advance the company's mission, and execute on the strategy. This, therefore, nurtures a culture and environment where behaviours are aligned with values. For example, if innovation is a core value, then a company may reward employees who take risks to push the company forward. This could be for something obvious, such as a product development, but could equally apply to new administration processes and other support services.

By providing an overview of what kinds of behaviours are being rewarded throughout the organisation, HR and business leaders can ensure that reward programmes sit in line with, as well as promote, company values. In addition,



rewarding against behaviours ensures these actions will be repeated time and again as you are providing employees with clear expectations for what the company views as exemplary work performance.

#### **Recognise frequently and in a timely way**

Speed is key for acknowledging and engaging employees – the recognition moment should closely follow the act being acknowledged. Frequency of recognition is just as important, especially to Generation X and Y employees, who typically seek more feedback, encouragement and recognition. With more awards given, the programme gains more visibility, thus creating more recognition moments. This ensures a majority of staff are involved and living the company values through recognition.

Old-school incentive programmes encouraged managers to hold small ceremonies throughout the company where managers presented a staff member with an award. While a public ceremony has value, constraining all recognition moments to such a formal exercise is a practice that will not trigger the same level of response from the internet generation. By overemphasising rewards, companies vastly reduce the quantity of awards given because some managers do not value the time invested, hindering the entire act of recognition.

#### **Ensure recognition is available to all**

When strategic recognition principles are made available to all employees, companies can change the culture to one that is motivational, encouraging and engaging – resulting in improved performance across the organisation.

At the moment, for many firms, it is the elite who are being recognised – senior staff heading up successful teams.

Indeed, the High Pay Commission report referred to earlier confirms this, as it found senior personnel in companies receive the majority of rewards, albeit in cash form. While they should absolutely be rewarded for their efforts, it is unlikely they are the only members of staff who have been putting in long hours or coming up with new ideas.

This evidence that cash rewards are skewed in favour of star performers clearly shows that many businesses have a long way to go before they make the most of reward programmes, creating a happier, more engaged and ultimately more productive workforce.

Effective employee recognition efforts should be designed to touch 80 to 90 per cent of employees. It is this middle tier of employees, slogging away day to day, who make the performance of the elite and senior management possible. Developing a culture where recognition happens organically and naturally in the middle 80 per cent returns the highest levels of engagement – exactly where the majority of work happens. Recognising their efforts to get the job done and keep projects moving forward is just as important as recognising the stars at the top. Put simply, businesses must ensure they reach the vast majority of their staff with rewards.

In addition to touching the majority of the workforce, companies must also ensure they are recognising employees around the globe. A 2011 World at Work survey found that only 39 per cent of international or global employees participate in all or most of the same recognition programmes as their North American counterparts. This inequality can demoralise and disengage employees, who will quite rightly feel hard done by when they learn that

colleagues elsewhere work in a more positive and rewarding environment. To be effective, employees across all geographies need to be recognised and rewarded equitably and fairly.

Again, culturally relevant rewards are essential. As companies offer more choices, it becomes just as easy to provide motivational gifts to individuals based in London, as it is to those in Mumbai.

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## **Put simply, businesses must ensure they reach the vast majority of their staff with rewards**

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#### **Make every reward count**

Ensuring that your company is effectively recognising and rewarding its employees is critical to the overall objective of a truly global, strategic recognition programme.

Employees can be demotivated when they feel disconnected from the company's mission and values. Frequent, timely recognition associated with the company's values and strategic objectives lets employees know precisely how their efforts are valuable and essential to the company achieving success. Handing them an unmemorable wad of cash or a desk clock emblazoned with the company's logo that ends up buried in a desk drawer does not accomplish any strategic goals, nor does it improve employee engagement. At the end of the day, the best form of recognition is one that works. While cash may be easy, it's certainly not king.

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