

Feature: State of the Sector Recognition & Rewards: What's the Payoff?

State of the Sector Recognition & Rewards: What's the Payoff?

That's the question being asked by forward-thinking employers who are tailoring recognition programs to reinforce company values and business objectives.

By **Todd Henneman**

Think twice before giving employees Thanksgiving turkeys or expensive trips. Such gifts might be perceived as being great for morale, but they're not what many employees want.

What they do want is managerial support when they make a mistake, personal thanks for doing good work and workplace autonomy, reports Bob Nelson, author of *1001 Ways to Reward Employees*, in a survey conducted by his company, Nelson Motivation Inc.

And though most firms haven't ditched old-fashioned tokens of appreciation like awards based on years of service, companies increasingly look for ways to link employee recognition to achieving goals, improving products or demonstrating behaviors aligned with corporate values. Sixty percent have written strategies guiding employee rewards, according to a survey by WorldatWork and the National Association for Employee Recognition. Eighty-seven percent recognize workers for showing "above and beyond" performance, up from 64 percent in 2002. And 51 percent reward sales performance, compared with just 17 percent in 2002.



Almost 90 percent of organizations report that they are using employee recognition more often this year than they did last year, according to the survey by WorldatWork and the National Association for Employee Recognition.

"If you look from an organizational perspective--the mission, the goals, the values of the company--that's what your recognition program should reinforce," says Greg Boswell, director of performance recognition at O.C. Tanner Co. "What's happening is that organizations are saying, 'Hey, we're spending money on these programs. What are we getting from them?'"

Research shows that companies do benefit from good employee recognition programs. The Forum for People Performance Management and Measurement at Northwestern University found a direct link between employee satisfaction, customer satisfaction and an organization's bottom-line success. The findings bolster the importance of so-called "internal marketing"--activities such as incentives and employee recognition programs.

"Whatever you recognize, you want the behavior to support the values of the organization so it serves as a reminder of what's important to the organization," says Theresa Chambers, chief motivation officer of the consultant firm Recognition Works, whose clients include the Museum of Flight in Seattle.

Some traditional, formal gestures--such as awards for years of service and retirement, birthday cards or summer picnics--can hurt organizations, Nelson says. "All that promotes is a culture of 'Give me more because you gave me stuff just for being here and now you owe me more for it,' " Nelson says.

Companies should move away from "entitlement cultures," he says, to "performance cultures" that base rewards on employee actions. And the recognition doesn't have to be a plaque or a pen set. In fact, many of the most effective forms of recognition don't cost a dime.

"The movement is toward the intangible, the abstract," Nelson says. "Autonomy is real to people. Visibility is real to people. Opportunity is real to people."

Developmental projects serve as recognition when managers bring the incentive to an employee's attention. Nelson says a manager might say, " 'I thought this was a great opportunity to teach skills you'll need to advance.' That's 1,000 times more powerful than 'Here's a desk set.' "

Knott's Berry Farm, a theme park in Buena Park, California, has incorporated some low-cost methods into its overall employee recognition strategy. Employees earn different-colored name badges--first silver, then gold--based on customer service. Some teams at the park go further by awarding beads to adorn badges.

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"They can brag about it to their fellow employees," spokeswoman Michele Wischmeyer says. "It's a little friendly rivalry among employees."

The theme park adds another low-cost form of recognition during October, an especially grueling time for its workers. For 25 nights, Knott's remains open as late as 2 a.m. for its annual Halloween Haunt. During the event, work teams earn points at unannounced inspections. The team with the most points gets to display the Golden Haunt Trophy until the next inspection.

Recognition also doesn't have to be top-down. Elaine Weinstein, senior vice president and chief diversity officer for KeySpan Corp., the largest distributor of natural gas in the Northeast, advocates peer-to-peer recognition. "Employees want to be able to identify and acknowledge employees they value rather than depending on management to recognize them," she says.

At Boeing, employees give "instant awards" worth \$10 or less to co-workers "caught in a good act," says Lynne Eskil, recognition and service awards administrator for a 13,000-employee engineering group. Company employees also can award one another vouchers for contributing above and beyond the requirements of their job.

Examples include voluntarily mentoring co-workers, reaching project milestones early, serving as product manager when that's not the person's regular job, or just being consistently friendly. Vouchers are worth 25, 50 or 100 points, and only 100-point cards require managerial approval. They can be redeemed online through a vendor for tennis rackets, watches, small appliances and other items.

At Wells Fargo Internet Services Group, employees can go to the company's intranet and find ways to recognize others, says Jean Bourne, the group's executive vice president of human resources. E-cards serve as thank-you notes for actions such as helping with projects or filling in when someone is out of the office, Bourne says. They go directly to recipients, and managers receive electronic carbon copies.

E-wards recognize above-and-beyond achievements that exemplify behavior that the Internet Services Group wants to encourage. Employees complete an online nomination form explaining why nominees merit an e-ward. Their manager then approves or declines gift certificates worth \$50 to \$200 that can be redeemed through Giftcertificates.com.

Bourne suggests that managers present the e-ward at a staff meeting or town hall, if the recipient likes public recognition, or one-on-one if the recipient is uncomfortable with the public praise. At the end of the year, the top 5 percent of e-ward winners and their guests are given a three-night trip to a resort where members of the senior management team serve as hosts.

The approach seems to be working. A survey found that 66 percent of employees felt satisfied with the amount of recognition they received, compared with 44 percent before the strategy was introduced. Last year, 3,350 e-cards were sent--up from 2,000 in 2001, an increase of 67.5 percent. And 2,000 e-wards were given, up from 450 in 2001.

Bourne attributes the program's success to developing a business case based on the war for talent, matching recognition programs with the organization's online-driven culture, focusing on desired behaviors and providing recognition in a timely manner.

Thirty-two percent of respondents to the National Association for Employee Recognition's survey acknowledge that they are unsure whether their senior management considers employee recognition to be an investment or an expense. When senior leadership considers recognition programs an expense, they likely will cut the funding, says consultant Aubrey Daniels, president of management consulting firm Aubrey Daniels International.

Done right, reward and recognition programs should create more net revenue, Daniels says. If they don't, it's probably because there's a problem with the way the program was developed or implemented, he says. Management hasn't asked, " 'Why are we doing this?' " Daniels says. " 'If we could have a recognition and reward system that produced \$100 million in additional profit, would \$20 million be too much to spend?' "

John Putzier, president of FirStep Inc., a performance improvement company in Prospect, Pennsylvania, says it's impossible to give too much praise as long as the sentiment is genuine. "But if you just go around glad-handing people," Putzier says, "forget about it."

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