

Recognition That Resonates

Effective rewards—ones that are personally significant to the recipient—will not only motivate employees in the short term, but also may help engage them for the long haul.

Stories by Charlotte Huff

LORI WEDGE KNOWS how hard she works. The evidence—a sleek elliptical trainer—is sitting smack in the middle of her living room.

The Jenny Craig consultant purchased the exercise machine this spring with points she had accumulated through the weight-loss company's incentive program. By hitting sales targets, including leading her region in Sacramento, California, Wedge could splurge on her own fitness.

"Cash is always nice," she says. "But this forces me to buy something for me, or someone else, rather than paying my electric bill."

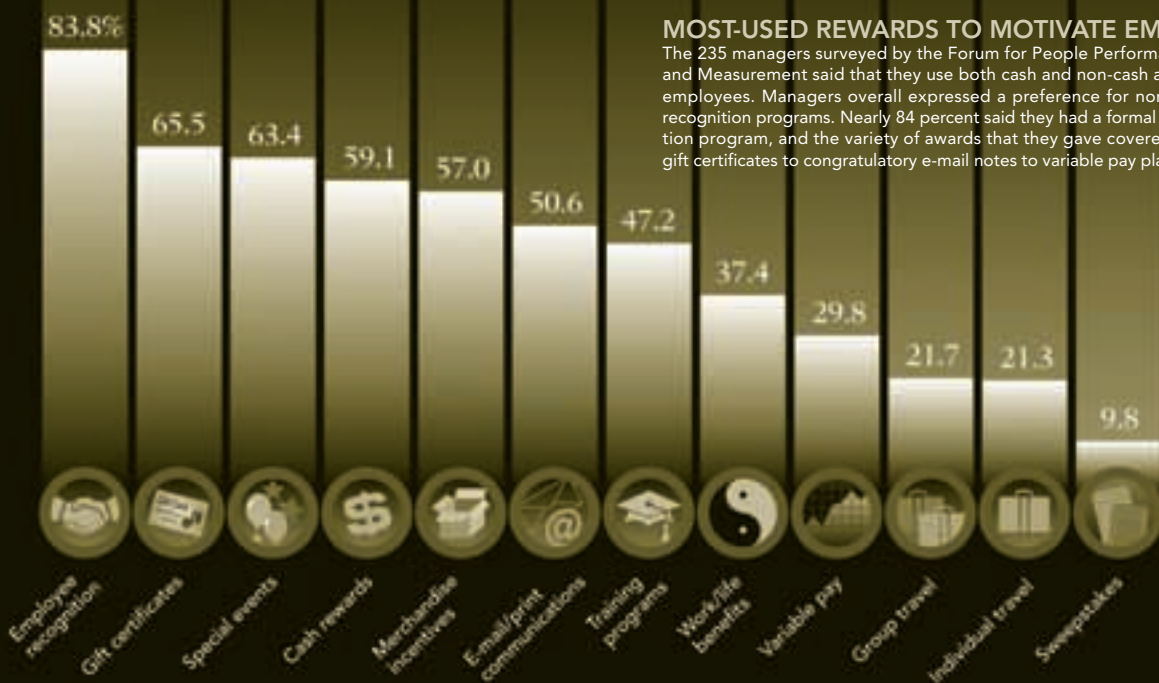
Like many of today's companies, Jenny Craig, based in Carlsbad, California, believes that while money certainly does talk, other rewards can articulate the message better when it comes to boosting employee productivity and retention in an increasingly competitive marketplace. Non-cash programs are viewed as more effective in achieving eight out of 10 corporate goals, according to a

study of 235 managers released in July by the Forum for People Performance Management and Measurement at Northwestern University in Evanston, Illinois.

Choosing to reward employees with gift cards, points programs or even very traditional certificates and plaques is only a small part of the equation, recognition experts say. Too often, companies are disorganized or scatter-shot in their approach, with inconsistent or hard-to-measure results. Companies run the risk of undermining their own investment.

"Unfortunately, what I find is employers do more wrong than right," says Ken Siegel, a management psychologist and president of the Impact Group, a Los Angeles-based group of psychotherapists who consult with companies. "I think it's very much a case of the road to hell being paved with good intentions."

The potential pitfalls are numerous, according to Siegel and other experts in the field. Insufficiently trained managers can be inept in the art of recognition, resulting in



MOST-USED REWARDS TO MOTIVATE EMPLOYEES

The 235 managers surveyed by the Forum for People Performance Management and Measurement said that they use both cash and non-cash awards to motivate employees. Managers overall expressed a preference for non-cash awards and recognition programs. Nearly 84 percent said they had a formal employee recognition program, and the variety of awards that they gave covered the gamut, from gift certificates to congratulatory e-mail notes to variable pay plans and travel.

Source: Forum for People Performance Management and Measurement, "Awards Selection: Insights From Managers," 2006

anemic efforts. Sprawling companies built through mergers and acquisitions can develop a patchwork-style recognition approach, breeding internal resentment. Plus, surprisingly few employers track results.

Twenty percent of 530 employers surveyed in 2005 reported calculating the effect that recognition programs had on employee turnover, according to a joint study by the nonprofit human resource organization WorldatWork and the National Association for Employee Recognition. But just 9 percent tracked return on investment in their rewards programs.

satisfaction and commitment. The term often used is “employee engagement.”

In the past year, Bolger has noticed more corporate investment being directed at internal marketing and communication, including employee recognition initiatives.

“Companies are beginning to understand the necessity of a good customer experience—that a customer can get anything cheaper and faster someplace else today,” Bolger says. “The key to keeping someone is a good experience. And that requires good people.”

One example, he says, is the U.S. Postal Service, which earlier this year

keep these folks working for us,” says Jocelyn Lincoln, senior director of product management, recruiting and retention at Kelly Services. “That base of people who want to stay with us—we want to keep them with us.”

TAILORING RECOGNITION

No employee, of course, is going to pass up a paycheck padded with a healthy bonus. But studies, as well as managerial experience, indicate that a personalized non-cash award may reverberate longer in an employee’s mind.

First, there’s the trophy value, says Carlson’s Van Every. Employees “remember when they look at, for example, their motorcycle—they remember why they got it.” In addition, the reward provides bragging rights. “Whereas you may not be able to say, ‘Hey, I just got a \$1,000 bonus,’” Van Every says.

In this year’s survey by the Forum for People Performance Management and Measurement, the 235 managers named only two corporate objectives they believe could be better achieved with cash on the counter: increased sales and more customer referrals. They preferred non-cash awards to achieve numerous other goals, including better customer satisfaction and improving teamwork and employee retention.

But rewards must be appropriately targeted in order to mean anything. According to a Maritz Research poll of 1,002 employees conducted in October 2005, only 27 percent of those who want to be recognized with gift cards, merchandise or trips actually receive that form of award. Only 40 percent craving written praise receive it.

“I think part of the mismatch may be the growing diversity in the workplace,” says Paula Godar, director of performance strategy at Maritz. It’s the generational differences, she says, but also “the differences in lifestyle and life stage.”

Maritz advises its clients to ask new employees how they prefer to be recognized. After all, Godar says, “lunch with the president could be one of the most stressful days of your life.”

Another challenge is making sure there aren’t substantial variations in the types of awards distributed in a far-flung company, Godar says. Besides breeding internal resentment among

*“... We’re going to see more and more emphasis on incentive programs, not just to motivate **but to retain employees.**”*

—Barbara Van Every, Carlson Marketing Worldwide

With the baby boomers poised for retirement, keeping valued employees has never been more important, or more challenging.

Twenty-eight percent of senior executives say they already see the demographic impact on talent, and 60 percent expect fallout within the next five years, according to an early 2006 survey of 251 executives conducted by consulting company Accenture.

“In the future, we’re going to see more and more emphasis on incentive programs, not just to motivate but to retain employees,” says Barbara Van Every, a “solution architect” at the Detroit office of Carlson Marketing Worldwide.

It’s a steep challenge. The schism between management and labor is already easily visible. Half of working adults describe that relationship as “lukewarm” or “negative,” according to a June poll of 1,300 people by St. Louis-based Maritz Research.

MOTIVATING EMPLOYEES

Companies may not be able to pay any higher wages to some employees, such as entry-level cashiers, and still remain competitive, says Bruce Bolger, co-founder of Northwestern’s Forum for People Performance Management and Measurement. Thus, they must find other creative ways to foster job

introduced a new version of its incentive program. The long-term goal, according to a USPS official, is to provide an expanded array of gift cards and other awards to recognize good employee work. The Postal Service spends at least \$30 million annually on such awards but wants to get a better handle on their use and effectiveness, says Richard Peterson, manager of pay programs at USPS.

“That’s one of the problems with rewards programs in general,” Peterson says. “Do they really help, or are they just feel-good programs? We think we are on the right track. We just want to validate it.”

In 2005, Troy, Michigan-based Kelly Services worked with Maritz to introduce a new version of its points-based incentive system to better promote productivity and retention among its 480,000 U.S. employees. The program, Kelly Kudos, provides more choice in awards and allows employees to accumulate points over a longer period.

And it’s working. Participants generate three times more revenue and hours than employees who are not receiving points, officials say. They also hope that the broader award selection will help boost retention, despite the inherently transient nature of temporary staffing work.

“That’s one of our primary goals, to

employees, inconsistency can be costly.

Take gift cards, Godar says. Managers sometimes fail to give them out, so they expire. If left in stacks in a desk, they're vulnerable to theft. Moreover, lack of tracking means companies can't show what kind of achievements were being reinforced and encouraged.

Under its new approach, the Postal Service is centralizing awards spending by limiting purchases to a handful of designated Web sites, Peterson says. That approach provides expanded options, and saves manager time. It also allows better tracking of awards spending, he says. The long-term goal is to collect data and identify patterns.

At this point, it appears that many managers can be overly conservative, Peterson says. "They don't recognize the consistently good performers."

And local autonomy can result in some unusual patterns, he says.

"Depending upon what part of the country you are in, the same activity might get a \$20 award in one part and a \$500 award in another part," he says. "That's really our next step—to get a little better in terms of our consistency."

To assist managers, recognition companies can customize software to recommend award options, depending upon how the employee's achievements align with the company's goals. Salt Lake City-based O.C. Tanner, which offers such services, also introduced a publicly available version of its offering this summer: Thanks.com. The site not only provides gift suggestions, broken down by interest or price category, but also provides managers tips on how best to give the reward.

Amid all the focus on gift cards and merchandise, managers also shouldn't forget about the value of an e-mailed compliment or cutting a hardworking employee loose for the day, says Carlson's Van Every. Managers can sometimes spend a lot less if there's emotional meaning attached, says Siegel, the management psychologist.

"Unless the reward has some personally significant meaning to the recipient, you certainly squander an opportunity," he says.

ACHIEVING RESULTS

Prior to moving to its points-based system about five years ago, Jenny

Craig offered a variety of awards, including gift cards, says Teresa Howes, national operations manager. But those smaller tokens of recognition "can get lost by the wayside," she says. "And you can lose the magnitude of what you are earning."

Now the company's nearly 3,200 employees can compile points in a variety of ways, including their years of service at the company, meeting sales goals and referring new employees, Howes says. Through the program's Web site, employees can build a wish list and choose from some 3,000 items, including magazine subscriptions, vacations and televisions. A survey of 328 employees conducted in December found that 48 percent were motivated to work harder because of the program, according to Howes.

But the program still needs to be tweaked. Howes would like to see those motivation levels reach at least 75 percent. A relaunch is planned by year's end. One possibility, Howes said in August, is to eliminate managers' ability to distribute gift cards. If employees can only rack up points, they will more easily see the connection between hard work and high-value awards, Howes says.

For some companies, particularly if they are not selling a tangible product, it isn't always easy to demonstrate direct shareholder return from rewards initiatives, says Audrey Boone Tillman, senior vice president and director of human resources for insurance provider Aflac and a board member for the Society for Human Resource Management. Still, ignoring valued employees is too big a risk to take. Not only will retention suffer, she says, but the attitude of employees who don't feel valued and appreciated will trickle down to customers.

One frequently cited research project, published by the Northwestern University forum, found that motivated and satisfied employees can affect company profits, even if the employees don't have direct contact with the customers. In short, there was a direct correlation between the level of employee engagement and the company's profits, says James Oakley, assistant professor of marketing at Purdue University's Krannert School of Manage-

ment. He led the research project.

"What this says is that the guys who are in the design office at Gap's headquarters may be just as important to customer satisfaction as people on the floor," he says. "To ignore their satisfaction and engagement is a mistake. What everyone in the organization does can have a direct impact on what your product is and how profitable your product is."

Michael Murphy, president of the Baltimore office of insurance brokerage firm Hilb, Rogal and Hobbs, recently decided to drive that message home. Murphy had become concerned that non-sales people in the office had become too "comfortable and complacent" in moving checks, claims and other paperwork.

"I wanted to reinforce the fact that every time they talked to a customer, that even though it's not a pure sales opportunity, it's an opportunity to reinforce our commitment to our customers," he says.

With the assistance of its advertising firm, the Baltimore office ran a six-month contest the first half of 2006 that built up to a prize-winning Friday lunch. Non-sales employees who brought in new customers, or suggested coverage to an existing customer, among other goals, won the opportunity to spin the prize wheel. Of the 61 employees eligible, 60 participated in the contest.

The contest, including administration and prizes, cost about \$25,000, Murphy says. New commissions totaled \$45,000. "The much bigger win," he says, "was a greater sense of what we are all about. And getting people engaged in the organization as a whole, not just their own little workstation."

Like many business leaders, Murphy believes that the payoff from engaged employees is the gift that keeps on giving. The trick is finding the right kind of recognition to encourage employees to thrive at work and, for the best ones, to stick around for years.

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Consider employee age when choosing awards

Different generations tend to have different priorities, but companies should be wary of embracing too many stereotypes

THE GENERATIONAL RIFT between managers and employees has the potential to undermine even well-intentioned recognition efforts if it is not taken into account by both sides.

An employee's age can influence more than the types of awards coveted, recognition experts and corporate managers say. (And no, not every Generation Y employee wants an iPod.) Generational values also can flavor the attitudes that managers bring to the table.

Research shows that the older managers are, the less likely they are to embrace recognition initiatives, says Bob Nelson, president of San Diego-based Nelson Motivation Inc. and author of *1001 Ways to Reward Employees*. Older managers grew up in a different time, when having a job was considered thanks enough, he says.

"They think, 'Nobody ever had to do this for me. I shouldn't have to coddle kids these days.'"

Parting with that hair-shirt attitude is only the first step, Nelson says. Then managers must learn to connect with

"Personal time I think has become—and this is a real generational difference—one of the most powerful reinforcers you can give to someone."

—Ken Siegel,
management psychologist

Gen Y employees, compared with other demographic groups, are the least likely to be interested in pay increases and most interested in learning new skills, according to data released in July.

The 2006 Employee Review, a survey of nearly 3,000 U.S. adults, was conducted by Harris Interactive for staffing firm Randstad. Fifty-eight per-

cent of Gen Y employees, compared with other demographic groups, are the least likely to be interested in pay increases and most interested in learning new skills, according to data released in July.

cent of Gen Y employees, compared with other demographic groups, are the least likely to be interested in pay increases and most interested in learning new skills, according to data released in July. Thus, even work itself can figure as a reward for some younger employees, says Audrey Boone Tillman, a board member of the Society for Human Resource Management. She also is senior vice president and director of human resources for Aflac. A valued employee could be recognized by involving him or her in a cutting-edge project in another area of the company, she says. For some employees early in their career, spending more time with a manager could be motivating, whereas older employees might feel micromanaged, Nelson adds.

Work/life balance also is a common thread that connects today's 20-somethings and 30-somethings, says Ken Siegel, a Los Angeles-based management psychologist.

"Personal time I think has become—and this is a real generational difference—one of the most powerful reinforcers you can give to someone," he says. "Life for most people has become increasingly busy and frenetic."

A publication of the human resource organization WorldatWork recently took a stab at recommending different types of rewards based on the generations at work. Today's oldest workers, those born before the baby boomers, may prefer flexible schedules and health and fitness rewards, while boomers may desire travel, suggests the publication, *Workspan*. Meanwhile, Gen X employees may jump at the opportunity for on-site child care, extra vacation days or high-tech gadgets.

Still, recognition consultants say it's a good idea to be wary of too many demographic stereotypes. A life stage can be just as important as age. A new parent may relish a gift card to a nice restaurant, while a first-time homeowner might be thrilled by a gift card for a home-improvement store.

Those oldest employees shouldn't be ignored, according to the Randstad survey. It revealed that mature employees crave recognition and appreciation more than any other group: 84 percent, compared with 74 percent for Gen X and Gen Y employees.

—C.H.

GENERATIONAL DRIVERS

To gain better insight into workplace motivation, a recent Randstad survey asked nearly 3,000 adults which aspects of their careers they considered very important. Their age group* defined their preferences to some extent.

	Gen Y	Gen X	Boomers	Matures
Learning new skills	31%	22%	21%	20%
Pay increases	27	31	33	40
Career path	19	14	8	5
Job training	10	3	4	4
Promotions	4	11	9	2
Increased responsibilities	3	8	11	15

*Age groups are defined as follows: Generation Y born 1980 to 1987; Generation X, 1965 to 1979; boomers, 1946 to 1964; matures, 1900 to 1945. Source: "2006 Employee Review," conducted in early 2006 by Harris Interactive for Randstad

the values and interests that drive their employees, so they can better reward success. One approach, he suggests, is to hold a staff gathering and ask everyone to bring two things that motivate them.

cent of Gen Y and 52 percent of Gen X employees want pathways to personal growth, compared with 41 percent for boomers and 29 percent for the even older group, "mature" workers. (For its survey, Randstad defined the working