Non-monetary incentives and recognition programmes are an area of employee motivation that is often overlooked. Yet, as Strategic Reward and Recognition reveals, a strategic focus on non-cash rewards can generate significant return on investment for employee engagement, performance improvement and financial results. In the present economic context, with companies pushing to deliver more for less, this is a particularly pertinent issue. Strategic Reward and Recognition brings together theory and practice to guide HR professionals, marketing consultants and senior leaders in developing the most effective programmes for their organizations. It features examples of good practice from all over the world, from different sectors and from both large and small organizations, providing coverage of digital as well as offline schemes.

John G Fisher is CEO of FMI Group, a brand engagement consultancy. He has over 30 years’ experience in marketing communications, incentives and performance improvement programmes, specializing in the financial services sector. He has written several business books (including Strategic Brand Engagement, also published by Kogan Page) and is a regular columnist in the marketing and HR press. He is in regular demand as a speaker and also devises and delivers seminars for clients and trade bodies about the practicalities of running employee reward and recognition schemes.
Acknowledgements  

Introduction: Dealing with human beings  

- Incentives versus recognition  
- Does recognition really work?  
- The balanced scorecard  
- Bribery and corruption  
- The non-cash improvement dividend  
- Some definitions  
- Where to start?  
- Brand consistency  
- Performance improvement model  

01 Why ‘benefits’ do not deliver performance improvement  

- Tax treatment of benefits and perks  
- *The Motivation to Work* by Frederick Herzberg (1959)  
- Only ‘motivators’ improve work performance  
- Does Herzberg’s theory suggest more use of incentives?  
- Cash or non-cash?  
- Are there any other motivational theories to consider?  
- Benefits and perks are not the answer  

02 Recognition and reward theory  

- What drives employees to perform better?  
- Experimental timeline  
- The rise of teamwork and affiliation  
- Basic physiological human needs  
- Murray’s basic human needs  

CONTENTS
Maslow’s hierarchy of needs 31
Victor Vroom and job satisfaction 34
Herzberg: two-factor theory 35
Goal setting and the quest for higher performance 36
Cottrell and teamwork 37
Goals and goal setting 38
Flow and job satisfaction 39
Performance and HR 40
Principles of corporate motivation 41
Key concepts in human motivation theory 42

03 Motivation in practice 45
Most programmes are sales-related 46
Other automotive incentive hybrids 47
IT and all things electrical 49
Some characteristics of sales incentives 53
Recognition programmes 54
Do reward and recognition programmes work? 58

04 The performance improvement programme model 61
The performance improvement model 62
Not all the elements are equal 69
Delivering the performance improvement model 70
Is performance improvement an HR or a marketing task? 72
What type of programmes could the PIP model
be used for? 72
Getting started: the human audit 74

05 Know your people: The human audit 75
Context is everything 76
Company and sector performance 76
Personnel inventory 77
Research principles for employee surveys 78
Researching sales and distribution attitudes 84
Human audit in practice: Hotpoint/Creda white goods 86
Interpreting the human audit 89
06 Skills and learning for performance improvement 91

How do people learn specific skills? 92
Bloom’s three domains of learning 93
Bloom’s *Taxonomy of Educational Objectives* (1956) 94
Workplace learning 95
Learning styles: David Kolb 96
Learning and practical performance improvement 97
Financial services learning example: attitude and cognitive 99
Agricultural representatives: psychomotive and cognitive 101
Evaluating the impact of learning 101
The performance improvement programme dividend 103

07 Communicating reward and recognition 105

Communicating incentives 106
Getting top-level buy-in 108
Negotiating with stakeholders 109
End user communication 110
Communicating recognition 112
What’s in it for me? 114
Strategic points about programme rules 114
The media of programme communication 117
Portals 119

08 Rewards 127

Does more money produce higher performance? 122
Performance-related pay 123
Money versus massage 124
Self-fulfilling prophecy 125
Mazda Motor Corporation 126
Trophy value 127
Rewards preferences 128
Types of non-monetary reward 129
Balancing rewards 144
9 Recognition 147
Formal recognition programmes 148
Peer-to-peer recognition schemes 152
Deciding on values 153
Ideas and suggestion schemes 154
Reward strategy for recognition programmes 156
Long-service awards 159
Retirement gifts 162

10 Structuring reward and recognition programmes 165
Setting sales goals 167
Setting non-sales goals 171
Using research to structure the programme 173
Using skills in the structure 175
Communication elements within the structure 176
Reward elements within the structure 178
Constructing the rules 178
Programme length 187
Structures change with the market 188

11 Setting the budget 189
Incremental profit for sales incentives 190
Incremental profit for employee programmes 192
Budget headings 194
Setting an appropriate reward level 196
Budgeting for variable rewards 197
Procurement and contracting 199
Terms and conditions 200
Choosing an appropriate supplier 205
Budgeting strategy 205

12 International aspects 207
Multi-country programmes 209
Concept transfer 211
Destination choices for overseas travel events 212
Do global programmes work? 215
13 Troubleshooting reward and recognition 217
   Launching your programme 217
   Dealing with rewards 220
   Hybrid reward and recognition systems 221
   Abuse of corporate programmes and errors 222
   Scheme transfer to a new supplier 223
   The participant is always right 224

14 The future of reward and recognition 227
   Peer-to-peer, not top-down 228
   Participant research 229
   Skills development 230
   Communication 231
   Rewards 232
   Time for rewards to go? 233

References 235
Further reading 237
Index 239
For too long now organizations have seen the ‘problem’ of employee or business partner motivation being solved by mechanical means. It would appear that by introducing some kind of non-monetary reward or recognition scheme the sponsor can change human behaviour at work in a quick, predictable way. But no sooner are such programmes introduced than unexpected results happen. They stop working.

So another programme is needed to patch up the initial plan. And then another. And then another. What starts out as an ambition to achieve a fully integrated people motivation programme often results in conflicting activities that cancel each other out. Confusion abounds. Participants ignore the numerous, stop–start messages and carry on with their day-to-day business, as usual. No one wants to appear ungrateful, but why can’t they just leave us alone to get on with our jobs?, they cry.

In this book I will review what produces an effective and sustainable reward and recognition programme, whether your organization is a multinational conglomerate or a local engineering supplier. We start with what human motivation within a corporate or non-profit organization context looks like and what the theories tell us about applying the principles to modern organizations.

We will then explore the four key elements of a performance improvement programme (PIP): research, skills development,
communication and rewards/incentives. In particular you need to know about the different types of recognition programmes and reward options so that you can make the right choices for your specific employee or distributor participant profile. The final part of the process is implementing the programmes in an effective way and budgeting for performance variations. The principles of human motivation are universal. We will explore programmes from around the world to show that subject to cultural attitudes the rules for sound employee motivation can be applied wherever you happen to be based. By the end of this review you should be able to improve the operational effectiveness of your current schemes, create new ones with confidence and have a broader understanding of why reward and recognition programmes are designed the way they are and how to make them more effective when the opportunity comes to review how they operate.

There is often a specific issue with non-monetary rewards, better described as incentives, which are over and above take-home pay and benefits. Daniel Pink, in *Drive* (2009), describes the phenomenon very succinctly: ‘Goals may cause systematic problems for organizations due to narrowed focus, unethical behaviour, increased risk-taking, decreased cooperation and decreased intrinsic motivation.’

So, before you know it, you have a dozen reward and recognition (R&R) programmes running, none of which are ‘working’. The larger the organization, the worse the cumulative effect is. Every three or four years, a new VP or senior executive comes in and decides to review it all. The same analysis of performance is undertaken with the same sample groups of workers. A new scheme is born, using new research to support the changes in emphasis. This may be about reward choice, team structures, new recognition media or possibly issues to do with the communication media or even the underlying economy itself. But they don’t work either – or, at least, not as well as the return on investment (ROI) proposal said they would. ROI is the standard measure most programmes are subject to in order to determine what organizational benefit may derive from implementing them. But it is hard to establish such a measure for employee schemes, as sponsors often say that administration teams are almost impossible to measure in terms of returns in the financial sense. It
would appear that changing human performance at work is not as easy as it looks.

A recent white paper by one of the world’s leading ‘performance improvement’ consultancies, BI Inc, supported by many other earlier studies, declared that gift cards with a monetary value, for example, are less effective than tangible items such as merchandise in promoting higher performance – and yet most large multinationals still use gift cards or other cash substitutes as the go-to reward for employee incentives, recognition and reward.

Furthermore, the report says, gift cards actively encourage winners to add as much as 220 per cent of the reward in their own cash when they are redeeming. So most of the reward is, in fact, funded by the participants themselves, out of their own pockets. Was this really what was intended by the sponsor? What started out as a discretionary incentive and a reward for superior performance has become a discount on cash purchases employees may well have been planning to make anyway.

**Incentives versus recognition**

Then there’s the idea that recognition is for employees and incentives are for salespeople, largely speaking. The accepted wisdom is that employees get recognition only because, to be frank, it is too expensive to give them all lavish rewards. On the other hand salespeople need incentives because they have little job security beyond achieving their targets. Just as with politicians, most salespeople’s careers end in failure. Incentives compensate for the fact they will at some stage falter in their expected performance and be out of a job.

What is often not appreciated is that recognition and reward/incentives are part of the same continuum, with low-cost, esteem communication at one end and naked, somewhat expensive bribery, you might say, at the other. Recognition is usually long term. Incentives are usually short term. Recognition promotes loyalty, whereas incentives promote quick, tactical change. They are rarely mutually exclusive. Some of the best examples of incentives are in fact long-term recognition schemes for salespeople, such as sales clubs.
Strategic Reward and Recognition

But few programmes are sufficiently well thought through to allow for both types of motivational intervention to take place. Why it tends to be one or the other remains a corporate, decision-making mystery. There should be no reward without recognition and no recognition without reward, even if it is only in token amounts of either element.

Does recognition really work?

If an employee goes above and beyond the call of duty and provides exceptional service or assists with an unexpected commercial deal, many organizations will recognize this performance publicly and sometimes attach a small reward to say thanks. But why? Because they know that better employee engagement with the published values of the business leads to better bottom-line performance and in turn a higher stock price. But many managers need to be taught how to look out for exceptional performance and promote it appropriately. In some cultures singling out team members for specific praise is actually frowned upon. In some circumstances the praise itself may be demotivational for other team members, who may claim that the recognized person is not as hard-working as they are and that the boss never notices their efforts. Many managers say that identifying employees for special praise leads to more harm than good, as they cannot be expected to spot every incidence of exceptional performance. So the model of praising everyone for everything is not necessarily effective. It’s all about context.

Who decides what level of reward is appropriate? Typically, administration staff receive much lower rewards than salespeople do for what might be described as similar exceptional activities. And is the size of the reward relevant anyway for employees who have an intrinsic interest in doing the tasks for the tasks’ sake?

The balanced scorecard

One way around this dual tension is to introduce the balanced scorecard or a system based on key performance indicators (KPIs). In
theory this provides a way to recognize and reward great all-round performance whether you administrate policy or you sell products. The trouble is, once the internal group of ‘advisers’ get their teeth into the constituents which make up good performance, things start to get complicated. Rather than, say, four components, most programmes end up with over a dozen measurements, which makes isolating what is essential for each individual virtually impossible. When you add the complexity of different job roles and the various operating divisions or global sites you begin to accumulate a highly complex, interlocking motivation programme that no one understands. The easiest solution for most employees is then simply to become non-combatants and sit this one out by withdrawing their willing participation.

**Bribery and corruption**

It is an unfortunate perception that for many organizations commercial incentives are viewed as being almost the same as bribery. Bribery and corruption are clearly an undesirable fact of commercial and organizational life. Where there is pressure to provide a profitable service to a large corporation there is the potential for corruption of the employed gatekeepers. In most of the industrialized West both offering and accepting personal gain in return for favouring a specific supplier is now a criminal rather than just a civil offence. Those involved could be imprisoned and the organization itself barred from future public sector tenders.

This was not always the case, and in many countries around the world either there is still no provision in law to combat commercial bribery or society itself turns a blind eye. It is simple to understand the moral argument of trying to create a level commercial playing field and punishing bribery. But some industry sectors such as pharmaceuticals and financial services have taken both an ethical and a legal stance to curb the worst excesses of trying to influence inappropriate selling. In the process this has led to an overzealous rejection of any kind of incentive, inducement or relationship building, even when it is perfectly justified to promote the organization’s products.

At what precise point do advertising, hospitality, special offers and
sales promotion end and bribery begin? After all, isn’t all marketing bribery of a kind?

The growing trend to equate gift cards with corruption and sports event tickets with bribery has redrawn the commercial landscape in recent years. Aviva, the UK insurance organization, declared in March 2014 that they would no longer entertain intermediaries at their various sponsored sporting events in the belief that this unfairly induced the intermediaries to place more business with the insurer.

It is perfectly acceptable for any organization to allocate their marketing allowance in the most effective way, of course. Many people suspect that this was more of a corporate cost-cutting measure than a moral stance, as it was convenient to reduce promotional expenditure during a downturn. But it sends a message that ‘incentives’ in any commercial context are not acceptable, even in the most benign circumstances. This attitude leads to less overall encouragement of employees within the workplace when it comes to reinforcing above-average performance. This is an unfortunate and unforeseen consequence of rejecting incentives as a common, effective motivational tool for managers.

Such changes in policy have meant that the very word ‘incentive’ has acquired a negative connotation, and organizations are beginning to reject the use of non-cash incentives, simply to avoid the potential accusation of being named as corrupt, such is the power of the media to make everyone and everything average and conformist.

As in life, there is a role for incentives in business if they are commercially effective and legal. It would be foolish of any policy maker to ignore the behavioural truths that show that offering incentive rewards produces benefits in performance. Incentives and recognition can be an untapped source for good in all organizations, provided they are offered in the right way with the right messages supporting them and in the right context.

The non-cash improvement dividend

The main reason for exploring what recognition and non-cash incentives can bring to any organization is to produce higher performance.
When you research employee groups about rewards, most people will say that more money at the end of the week or the month will motivate them to work harder. In fact, people actually work harder for non-cash items and tangibles (consumer goods and merchandise). So it is in the organization’s interests and those of the stockholders to promote non-cash rather than cash solutions when devising motivation schemes.

**Mazda Motor of America Inc**

For instance, let us take a look at a programme for Mazda Motor of America Inc. This is a classic case history from 1996 whenever organizations are debating incentive programmes to encourage higher sales. The marketing team were tasked with devising the next sales incentive to boost quarterly sales of its B-Series trucks within its North American operation of 900 Mazda car dealers. They had about 2,000 sales managers and 6,000 salespeople at the time. It was important to get the rewards right. It almost goes without saying that there would be a prestigious travel incentive for the top 15 dealers and their partners. In this case it turned out to be Aspen, Colorado. But what should be offered to the remaining sales managers and salespeople? The upper tier of sales management were edging towards a cash-per-sale solution, as this would be relatively easy to set up from a rewards administration viewpoint. But others lower down the hierarchy wanted a non-cash scheme, as they had experienced the effect of tangible rewards rather than extra money and saw that non-monetary rewards were much more effective in ‘moving the metal’. There was no agreement.

It was decided that they would test the alternatives by splitting the dealer group in half, reminiscent of the King Solomon story from the Bible. Individual salespeople in group 1 would be offered an average of $75 in cash. Those in group 2 would be offered the same value in household merchandise and gift cards. There was a chance of earning more than $75 for a unit sale with a random win element called ‘spin and win’ – a common device to help promote the programme to incentive-aware showroom salespeople. The difference in cost to the organization was minimal.

The results were remarkable. Even experienced VPs had to admit that non-cash was more effective. The cash group only managed a 2.13
per cent uplift in sales. The non-cash group achieved a 15.65 per cent increase. In particular, sales performance amongst the hard-to-impress low-volume dealers in the non-cash group was very strong.

The post-programme analysis revealed that the perception of the cash incentive, particularly amongst low-volume dealers, was that the amounts after deductions for tax were marginal and there was little enthusiasm for what was in basic terms a mathematical deal. The non-cash dealers became fully engaged in identifying specific items of merchandise and retail gifts and organized their sales routines around achieving specific objectives to qualify for the rewards. It generated an emotional response rarely seen with cash-only programmes within commercial environments.

**Some definitions**

Before we go much further it is worth being clear about what we mean by rewards, incentives and recognition.

In this book rewards mean tangible, non-monetary items that participants receive in a motivation programme. So we are not talking about cash, salary, stock options or the range of benefits that employment brings with it in many organizations. Such items form part of the total remuneration package that compensates employees for their time and expertise at work. These benefits or perks do not promote higher performance, as we shall learn in Chapter 1.

Incentives, rather than incentive rewards, refer to the entire programme of activity that encourages participants to go above and beyond standard levels of work achievement. In many instances it is something that happens in the future. Once the programme is over the ‘prizes’ are then referred to as the rewards. It is true that commentators often use the terms ‘reward’ and ‘incentive’ to mean the same thing to describe the benefit the participant receives for compliance. So we have to be forgiving and accept that not everyone shares the same view of these definitions.

Recognition is a formal programme of congratulation for going beyond the call of duty and achieving something exceptional as measured by your organization’s values. It does not necessarily include
rewards, but it could do. The Human Capital Institute, amongst others, defined recognition as: ‘Acknowledging or giving special attention to employee actions, efforts, behaviour or performance’ (2009). It specifically refers to the employer recognizing employees rather than acknowledging distributor performance.

When we discuss reward and recognition programmes there is often an element of cost involved. To avoid the confusion of exchange rates between currencies the cost figures in the book have no currency denomination. This makes calculations easier to understand.

Where to start?

If you are sincere about wanting to improve employee and business partner performance, you need a plan or strategy. In short, a strategy is a list of four or five things that you intend to do differently to gain a competitive edge. Strategies are easy to come up with if you have a completely new product in a new sector. But the vast majority of business ideas are ‘me-too’ organizations where success depends on doing things in a new or unexpected way in comparison with your competitors. Even if the strategy is price-driven there comes a point when all organizations with price as their only strategy will begin to lose money. You have to have a plan.

So organizations search for a differentiator that will help them be more attractive to consumers than a seemingly similar rival. That differentiator is normally related to their employee profile. That people difference is a direct reflection of their internal reward and recognition programmes.

Brand consistency

Reward and recognition programmes need to reflect fully the organization’s brand. Brand is an expression of buyer trust at its most basic level. If your core values are clear to the customer, your internal programmes should be consistent with those values as well. There is nothing more off-putting than a public angel that conceals a private devil.
To claim the reward and recognition dividend, employees need to be treated like customers and communicated with in a brand-consistent way. Loyalty reduces recruiting costs and requires the employer to train fewer people than its competitors. If employees know their corporate values they do not need to waste time asking what they should do when it comes to decision making.

**Performance improvement model**

The basis of all programmes is sound psychological theory that supports the idea that modern, non-monetary reward and recognition schemes have a solid and relatively predictable basis. Otherwise we are building our programmes on shifting sand. If what we do reflects what real humans do, we are probably on to a good thing. The process we should undertake when planning all R&R programmes is known as the performance improvement model. There are four steps:

1. We need to do some research to understand what is different about our own organization before imposing another new programme on unsuspecting employees. Part of this research is to establish an ROI for the activity. No organization would embark on an advertising campaign without working out the commercial benefit. Your people programmes are no exception to good business practice.

2. People do not change their behaviour without understanding the need for change and the consequences of not changing. So there is a place for skills development within the performance improvement model.

3. We should then take a close look at the incentive media or rewards and learn how to apply them and budget for them for the various employee audiences we have.

4. Probably most important of all is devising the communication plan. Post-programme surveys almost always reveal that most participants did not understand what they had to do or did not take part because they could not work out the scheme rules.
There are also some specific guidelines when it comes to running campaigns in more than one country. The mechanical issues of different currencies and delivering rewards pale into insignificance when thinking about cultural differences and how you might create a global scheme that suits all your locally sited employees, if you are an international firm. Problems in implementing such programmes are dealt with in Chapter 12.

Strategic employee incentives and recognition programmes are all about creating a framework for tapping into the extra potential for exceptional human effort at work. In the process of devising and running an effective programme you will be making work more engaging for the people who spend most of their working lives thinking about their team leaders and the organizational style of their workplace, whether they mean to or not.

John.fisher@fmigroup.co.uk
Non-monetary incentives and recognition programmes are an area of employee motivation that is often overlooked. Yet, as Strategic Reward and Recognition reveals, a strategic focus on non-cash rewards can generate significant return on investment for employee engagement, performance improvement and financial results. In the present economic context, with companies pushing to deliver more for less, this is a particularly pertinent issue. Strategic Reward and Recognition brings together theory and practice to guide HR professionals, marketing consultants and senior leaders in developing the most effective programmes for their organizations. It features examples of good practice from all over the world, from different sectors and from both large and small organizations, providing coverage of digital as well as offline schemes.

John G Fisher is CEO of FMI Group, a brand engagement consultancy. He has over 30 years' experience in marketing communications, incentives and performance improvement programmes, specializing in the financial services sector. He has written several business books (including Strategic Brand Engagement, also published by Kogan Page) and is a regular columnist in the marketing and HR press. He is in regular demand as a speaker and also devises and delivers seminars for clients and trade bodies about the practicalities of running employee reward and recognition schemes.