



## ***EMPLOYEE RECOGNITION AND REWARDS***

Progressively more organizations are having to examine and implement new forms of employee recognition and reward programs in order to help engage and retain employees. As a result of the recession, many employers are limited in what they can provide in the way of greater monetary compensation as a means of recognition. Instead, they are having to consider other ways in which to express their appreciation for the contribution of employees.

*Clear rewards and accountability generate 16.5 to 21.5 percent growth in annual shareholder value, according to Watson Wyatt\*, the research firm that has done extensive surveys worldwide. Watson Wyatt also found that companies with a clearly articulated reward strategy have 13 percent lower turnover than other companies. Practices such as a lack of hierarchy, employee input into company processes and decisions, and high trust in management deliver a 9.0 to 21.5 percent increase in shareholder values. Overall, Watson Wyatt found that companies with the best people practices provided a 64 percent total return to shareholders over a 5-year period, more than 3 times the 21 percent return for companies with the weakest practices. ... Watson Wyatt shows statistically that it is the enlightened people practices that drive success, not success that drives enlightened practices. Like the social architecture, rewards should reinforce the mission and culture.*<sup>1</sup>

A survey by Ipsos Reid, released in October 2010, showed that 27 percent of respondents plan to seek a new position within the next six months. For companies that have implemented a wage freeze, the proportion of respondents rises to 34 percent. The survey indicated that the types of professionals most likely to seek employment elsewhere are managers, sales people and IT professionals.<sup>2</sup> Another recent Canada-wide [survey](#) conducted by [David Aplin Recruiting](#) indicated that 84 percent of employees surveyed were actively seeking employment while still employed. Among the top five factors that they take into consideration for leaving their jobs were: insufficient pay, lack of trust in senior leaders, lack of work-life balance, unhealthy/undesirable culture, and uninteresting or unchallenging work. 17 percent indicated that lack of recognition was a key factor. Not surprisingly, 73 percent of employees surveyed agreed with the statement “People leave managers not organizations”.<sup>3</sup>

### ***Demonstrated appreciation is the name of the game.***

Although salary is a significant motivator, an increasing number of employees are viewing appreciation as a very significant motivator. Indeed, studies have shown that as many as four out of five people who quit their jobs say that the main reason is a lack of appreciation. Furthermore, leaving employees indicate that lack of appreciation of their work by an immediate supervisor or their work colleagues as a primary reason for seeking employment elsewhere. Can organizations really afford to lose experienced and qualified employees because of “lack of appreciation” issues?

\* On January 4, 2010, Watson Wyatt and Towers Perrin merged to become [Towers Watson](#).

<sup>1</sup> *What Happy Companies Know*: Dr. Dan Baker, Dr. Cathy L. Greenberg & Collins Hemingway, M.A. (Prentice Hall, Upper Saddle River, New Jersey, 2006) p. 219

<sup>2</sup> *More than quarter of employees will seek other work – survey*: Derek Abma, Financial Post, October 5, 2010

<sup>3</sup> *84 per cent of surveyed employees actively seeking employment while still employed*: Laurie Blake, Workplace e-Newsletter, October 6, 2010

***“Healthier organizations mean more productive employees.”***

The recent [Employee Turnover - Manager Survey](#) by [David Aplin Recruiting](#), ranked recognition and feedback among the top five factors that new employees are looking for today in potential employers.<sup>4</sup>

### ***Need for valid and fair means of measuring employee performance.***

*Many organizations measure employee morale, but often only to be politically correct, as a “warm, fuzzy” measure, to demonstrate that even large corporations value their employees. But for investments in employee capabilities, skills, and individual goal alignment to be sustained for extended periods of time, employee-based measures must be something more than warm fuzzies.*<sup>5</sup>

When Robert Kaplan & David Norton introduced the “innovation and learning module” of the “balanced scorecard” performance system, there was a clear acceptance that the employee satisfaction objective recognizes that employee morale and general job satisfaction are now considered highly important by organizations. Recognition for doing a good job was perceived as being a key element in determining an employee’s satisfaction with their job. In addition, measuring employee or team performance helped to ascertain whether an employee or a team merited such recognition. If fairly and properly done, legitimate performance assessments help organizations to design appropriate recognition and reward processes which are acceptable to the majority of employees. In turn, these processes become an inherent part of the organization’s strategy involving employees, organizational capacity, and overall organizational performance measures.

As in the case for measuring “return on investment”, organizations are increasingly understanding the need to also adequately measure what has become referred to as the “return on people”. By acknowledging the investment in people, organizations are in a much better position to recruit and retain key personnel and ensure greater innovation and productivity gains.

### ***Recognition programs don’t necessarily mean greater monetary compensation.***

The personal touch always makes the reward seem sweeter—especially when there’s little or no money attached. In addition, support for the many employee appreciation programs comes from the top. Organizations have to be particularly creative in developing recognition and reward programs, taking special care to ensure as much localization of the processes involved.

*At a time when recognition is more important than ever to engage and retain valued employees, companies hope to make nonfinancial rewards more meaningful by customizing them to appeal to individual workers. Localized laurels include such incentives as paid days off, lunch with senior executives, personalized thank-you messages from supervisors and fellow employees, flexible work schedules and even personal artistic tributes. With corporate budgets still tight, 40 percent of employers are focusing on such nonfinancial recognition, and more than half intend to put more emphasis on such rewards, according to a recent survey by consulting firm [Hay Group](#) and human resources association [WorldatWork](#).*<sup>6</sup>

Employers should find out how individuals like to receive recognition at work. For instance, a rewards ceremony may be uncomfortable and embarrassing for some people who prefer low-key recognition. What’s more, with four different generations in the workplace, customization is increasingly important. Follow-up with employees is also crucial in helping to assess whether performance measures, recognition and rewards programs are perceived as being credible and fair.

<sup>4</sup> 84 per cent of surveyed employees actively seeking employment while still employed.: Op. Cit.

<sup>5</sup> *The Balanced Scorecard (Translating Strategy into Action)*: Robert S. Kaplan & David P. Norton (Harvard Business School Press, Boston, Massachusetts, 1996), pp. 255-256

<sup>6</sup> *Special Report on Rewards & Recognition: Getting Personal*: Leah Shepherd, Workforce Management, September 2010, p. 24, 26, 28-29

***“Healthier organizations mean more productive employees.”***

### **Recognizing the benefits of promoting employee wellness and work-life balance.**

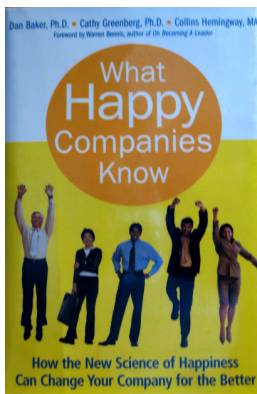
Among the non-monetary means of recognizing the value of employees' contributions and investment in people is that of promoting employee wellness and work-life balance. Increasingly, potential and current employees are paying attention to what organizations are doing to improve the working conditions and general well-being of their employees. In particular, there is a requirement to recognize the needs of workers with child and elderly care responsibilities, as well as care related to persons with disabilities. Their needs can be recognized through medical benefits, flexible work arrangements, family, maternal and paternal leave policies, on-site day care, confidential access to wellness programs, etc. Studies have demonstrated that recognizing the valid work-life balance needs of employees will not only be perceived as rewarding them for their contribution to an organization's goals, but also as a means to encouraging and maintaining employees' loyalty and productivity.

### **Tips on recognition and rewards.**

*It's important that you support and reward your high performers. But as a leader, you also need to consider team dynamics and the impact these rewards will have on others. When deciding to reward your employees, consider these three variables: whether the criteria for the reward are clearly defined; whether the reward is for an individual or a team; and whether you want to publicize the reward.<sup>7</sup>*

- ☞ Ensure that any rewards and recognition program is based on an employee performance assessment process that is viewed as fair and legitimate by both management and employees.
- ☞ Remember that the nature of rewards offered should respect the recipient's age, since older workers normally appreciate certain recognition approaches differently from younger workers. With four different generations in the workplace, customization is increasingly important.
- ☞ How rewards or recognition are given is as important as the recognition itself. Organizations should find out how individuals like to receive recognition at work. Some employees may prefer not to have the recognition go public, versus those that would appreciate having a more public display of appreciation.
- ☞ Managers should receive training on recognition in order to learn new ideas and to refresh existing recognition and reward programs to make them more effective. Employee feedback is essential to a successful program.

### **Recommended Reading:**



#### **“What Happy Companies Know”**

*(Who They Are. Why They Clash. How to Solve the Generational Puzzle at Work.)*

by Dr. Dan Baker, Dr. Cathy L. Greenberg & Collins Hemingway, M.A. (Prentice Hall, Upper Saddle River, New Jersey, 2006)

- ☞ [Winning With a Culture of Recognition](#): Eric Mosley & Derek Irvine (Amazon.com, October 2010)

<sup>7</sup> *The right way to reward federal employees*: Tom Fox, Washington Post, October 8, 2010

**“Healthier organizations mean more productive employees.”**