17 WAYS TO MAKE EMPLOYEE REWARDS MORE MOTIVATING

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AN INTRODUCTION TO EMPLOYEE REWARDS

Have you noticed your £50 shopping vouchers aren't getting the same enthusiastic response they used to?

Are your employees becoming more entitled and less appreciative? Do you think more is always better when it comes to employee rewards?

Many managers and CEOs get frustrated when they pump thousands of pounds into employee reward systems and don't see any measurable impact on performance or productivity.

These managers tend to fall into the same trap. **They think the problem of employee motivation can be solved by throwing more money at it**. But it can't. Human behaviour is much more complex than that. Financial incentives definitely play a role in driving motivation, but many other factors are also at play.

To deliver results, employee rewards need to be based on research into human behaviour, motivation, and reinforcement. Indeed, effective employee reward systems can significantly increase productivity (1). They can motivate employees to increase their work quality and quantity and to align their performance with organisational goals.

(1) McAdams, J. (1996). The reward plan advantage: A manager's guide to improving business performance through people. Jossey-Bass Publishers.

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Used in the right way, employee rewards can be a very powerful influence on employee behaviour, motivation, and performance. Success hinges on a carefully designed reward system that is a good fit for the working environment.

Dan Ariely, Professor of Psychology & Behavioural Economics at Duke University, highlighted this point in his bestselling book *Predictably Irrational*.
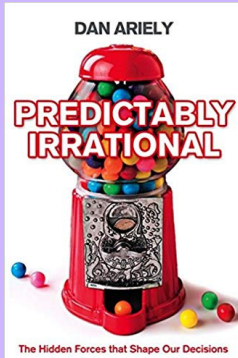
"Using money to motivate people can be a double-edged sword. For tasks that require cognitive ability, low to moderate performance-based incentives can help. But when the incentive level is very high, it can command too much attention and thereby distract the person's mind with thoughts about the reward. This can create stress and ultimately reduce the level of performance."

Sounds like a tricky balancing act, right?

That's why we created this Ebook. It's intended to be a guide for managers, business owners, and HR professionals on how to structure reward programmes to maximise impact on employee motivation.

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TYPES OF REWARDS

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Broadly speaking, employee rewards can be divided into three types:

FINANCIAL - e.g. cash, annual bonus

Monetary rewards are typically the most effective in increasing employee performance, However, it's worth keeping in mind that the amount doesn't have to be huge in order to have an impact.

MATERIAL - e.g. company car, holiday, products

Although material rewards do not have as large an impact on employee performance as monetary rewards, they do have a significant effect and should be included in all employee reward programmes.

SOCIAL - e.g. praise, recognition, positive feedback

When giving social rewards the timing is critical: immediate feedback and recognition has more of an effect on performance than delayed feedback.

You shouldn't rely on just one reward type. Balancing cash rewards with non-cash and social rewards is often the best approach when it comes to designing an effective workplace reward programme.

If you want to make sure your customers are treated well, you have to make sure you treat your employees well and recognise their efforts.

F. Robert Salerno - CEO of Avis

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TYPES OF REWARD PROGRAMMES

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As well as different types of rewards, there are also different programmes that companies can implement. Again, they are not mutually exclusive. They should all be used to some degree in order to get the most benefit.

INDIVIDUAL VS TEAM-BASED REWARDS

Individual rewards

This refers to monetary compensation above and beyond salary that is linked to results or accomplishments. Also known as pay for performance. Examples of this type of reward include: merit pay, bonuses, commission plans, and profit sharing. In one meta-analysis, individual based reward programmes increased by 19% in employees (2).
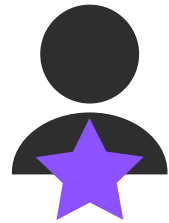
Team-based rewards

This refers to monetary compensation that rewards individuals for teamwork and rewards teams for collective results. Such programmes can be extremely effective in increasing individual and team performance. They can also be very effective in shaping employee performance to be more in line with company values and goals. Team-based reward systems have been found to increase employee performance by as much as 48% (2).

Both individual rewards and team-based rewards have a positive influence on performance, **however, team-based rewards can have more of a significant impact** on employee performance. Therefore, effective employee rewards programs should include both types of reward programs but should place an emphasis on **team-based rewards** as they have a tendency to have the largest impact.

(2) Condly, S. J., Clark, R. E., & Stolovitch, H. D. (2003). The effects of incentives on workplace performance: A meta-analytic review of research studies 1. Performance Improvement Quarterly, 16(3), 46-63.

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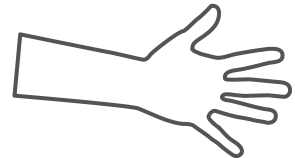
COMPETITIVE VS NON-COMPETITIVE PROGRAMMES

Competitive programmes

In competitive reward programs, there are a limited number of rewards and not every employee that meets performance standards will receive a reward; only the highest performers will receive the reward. A meta-analysis of employee reward programmes found that competitive programs produced a 27% gain in employee performance (2).
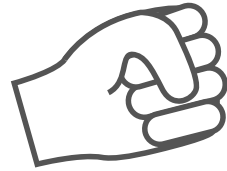
Non-competitive programmes

In non-competitive rewards programs every employee that meets performance standards will receive reward. Recent analyses conclude that non-competitive reward programs result in a 22% increase in employee performance (2).

The evidence shows that **both competitive and non-competitive reward programs result in significant increases in performance.** So a comprehensive rewards strategy should include both types.

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01

Involve all employees in the design, implementation, and revision of rewards programmes

Involving all employees (or representatives from different positions) will encourage communication between employees and management about the rewards process. It will also ensure that both employees and upper management are on board with the reward system. Any issues that are flagged during the design phase can be addressed early on before the programme is rolled out.
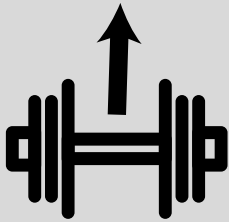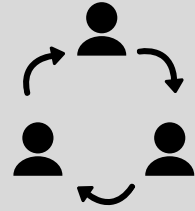
Ensure employees view the rewards as worth the effort

This is pretty straightforward, but worth mentioning. It's critical that employees genuinely value the rewards on offer and perceive them as worth extra effort. If they don't there's very little point in having a rewards programme at all. Who wants to grind for weeks on end only to receive a single free lunch voucher? Open dialogue is the best way to ensure the rewards you select are a good match for the amount of effort required to achieve them.

02

03

Make sure employees understand how to earn the rewards

Again this seems simple, but employers often go wrong here. Some reward programmes are overly complex, with an abundance of qualifiers and caveats. This typically leaves employees feeling lost. Without a clear and straightforward understanding of what's expected of them, it's very easy for employees to become disengaged with the programme. So when setting the rules of the programme, keep them simple to avoid any confusion.

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Set reasonable and transparent performance standards for rewards

Unrealistic performance targets are the downfall of many reward programmes. If employees perceive rewards as completely unattainable, they're unlikely to be motivated by them. Check in with employees to ensure that they believe the rewards are within their reach. Also, providing the employees with a dashboard where they can view their performance in real time will allow them to accurately assess their own performance and have realistic expectations for rewards.

05

Base reward levels on objective performance data

When rewards are distributed based on objective data, employees are more likely to view the process as fair and are also more likely to have a concrete understanding of what is expected of them. This will increase their motivation to achieve the desired performance results.

06

Make sure employees view the reward system as fair

When employees view the reward system as fair, they will be more engaged in trying to obtain the reward. Rewards should be distributed consistently according to predetermined policies. Never engage in favoritism or cut corners as this will have a detrimental impact on employee performance. If only employee seems to be getting preferential treatment the team around them will lose a significant amount of motivation.

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07 Always link rewards to performance

In order for rewards to have the most impact on influencing employee performance, they must be directly linked to the desired behavior. Tie praise, recognition, cash rewards and non-cash rewards to specific results. When employees understand the connection between their reward and their performance, they will be motivated to perform optimally in the future.

## 08 Recognise small and large accomplishments

If rewards are only given for large achievements it's easy for employees to lose momentum. It's hard to get motivated by something that seems far off in the distance. You can get around this by recognising smaller milestones along the way to the overarching goal. This ensures employees remain engaged throughout the duration of the programme and their behaviour is consistent with company expectations.

09 Reward teamwork

As mentioned previously, team-based incentives were found to be more effective at increasing performance than individual incentives. If team-based rewards are not already included in the company strategy, they should be. Additionally, the investment in team-based rewards should be substantial. This could have a significant impact on cooperation, employee cohesiveness, and the company's bottom line.
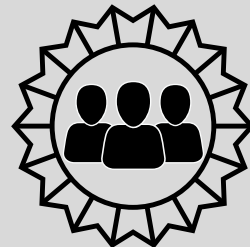
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Never take a good performance for granted

Don't get complacent and stop rewarding top performers. If they are just doing what they always do, it's easy to forget about the tremendous value they are bringing to the table. But this could be a fatal flaw. In order to keep top talent on the team, ensure that your company continues to acknowledge and reward an excellent performance.

11

Provide rewards immediately after the employee achieves the desired outcome

There is a temporal component to the effect of a reward. The longer the delay in providing the reward after the employee's achievement, the less of an impact it has shaping subsequent behaviour. Reward behaviour that meets performance standards immediately.

12

When employees learn an unfamiliar task, distribute rewards based on a continuous reinforcement schedule

The most effective way to encourage learning a new task is by reinforcing employee behavior on a continuous schedule. This can require considerable effort when executed by a manager, however, using an employee reward software program is a more feasible and cost effective solution. Popular vendors include *Kudos*, *ThanksBox*, *and Xexec*.
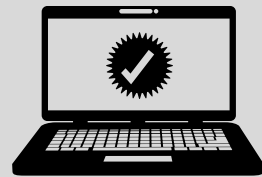
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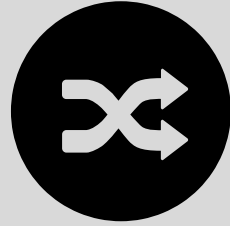venturi-group.com | enquiries@venturi-group.com | 0203 137 7005
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Once the behaviour becomes a habit, distribute rewards based on a variable interval schedule

Variable interval schedules of reinforcement result in the most significant behavior change once the behavior becomes a habit. This change in behavior is also more resistant to weakening. Therefore, one of these reinforcement schedules should dictate the reward distribution process after the behavior has become a habit.

Don't disclose the cash value of non-monetary rewards

Employees who are unaware of the exact cash value of non-monetary rewards are more motivated by them. Do not disclose the amount unless necessary.

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Use long-term rewards programmes

Long-term rewards programs have the greatest effect on employee performance and the resulting gains last longer. Consider making your reward programme last longer than 6 months in order to get the most desired results.
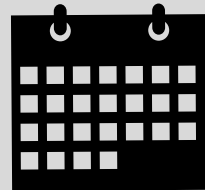
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Make rewards an integral part of the company's strategy

Rewards are invaluable in aligning employee behavior with the organisation's business strategy. Ensure that rewarded behavior is in line with company standards, objectives and strategy.

Change rewards frequently

When the reward is changed frequently, employees will be more surprised and the process will be more exciting. When employees are excited about rewards, they will work harder to achieve them.

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