

Human Resource Executive®

RECOGNITION & REWARDS



BY BOB NELSON

The Importance of Strategic Recognition

Effective employee recognition is no longer an option in today's organizations. It's a necessity.

In my research, 89 percent of today's employees report recognition is very or extremely important to them. If, in the year ahead, you want to attract and retain top talent, your organization needs to be exceptional at recognizing employees in ways they value. If, in the year ahead, you want to maximize the performance of those individuals who do come to work for your organization, recognition is a key driver for obtaining that performance.

Yet as much as 90 cents of every dollar your organization currently spends on reward and incentive programs may be a waste of money.

I guarantee this is the case if you fund your reward and incentive programs, year after year, based simply on what was budgeted the previous year.

This doesn't mean you need to scrap your programs so much as it means you need to



audit their effectiveness and better align recognition efforts with your strategic objectives, employee expectations and research on effective incentives.

There are three major challenges that every corporation should focus on in the area of rewards and recognition in 2007. The first

is aligning recognition and rewards to enterprise business strategy.

It's no secret that the role of HR has been shifting from a staff-and-support function to equal partnership in the executive ranks in shaping the success of the organization. But when it comes to rewards and recognition, this shift has yet to happen.

Research shows that the best forms of recognition are contingent in nature, and yet the bulk of recognition dollars are still spent on programs that reinforce presence over performance, such as years-of-service awards.

Organizations have typically used incentive programs in a reactive way: Sales are flat? Install an incentive program to spark business and get the sales force cranking. Insurance costs on the rise? Institute a safety program to incentivize reduced accident claims. Quality is off? Install a quality program to reduce errors and defects.

This piecemeal approach to using incentives leads to uneven and redundant efforts, and inconsistent results that can be counterproductive to the organization's overall goals. If your organization has taken the time and effort to clearly establish a core mission, values and strategies, then your reward and recognition systems should clearly and systematically reward the behaviors and outputs that reinforce those elements.

Employees are being asked to do more, to do it faster, and to do it more autonomously. Work is increasingly becoming a state of mind more so than a place to be. Managers have fewer ways to influence employees and to shape their behaviors. Coercion is no

longer an option; you can't force anyone to perform; it must be his or her own choice. Managers can, however, use positive reinforcement in overt ways to influence and encourage desired behaviors and results from employees.

A key aspect for obtaining consistent recognition efforts can be found in effective measurement strategies. As my former professor, Peter Drucker, used to say, "If you can't measure it, you can't manage it." While many HR processes are notoriously difficult to measure, recognition need not be one of them. Recognition effectiveness can be measured by its impact in producing results and desired performance, such as increased performance and progress against goals and key performance indicators.

The more recognition activities and programs drive significant organizational performance and strategic results, the easier it is to justify the effort and resources to support them. To do this, you must reverse the evaluation strategy and begin with the end in mind.

First, clearly understand what your employees need and want. Then define the results you desire. Starting with a clear idea of your audience, and the goals and performances you want from them, will strengthen the link of recognition to results, now and in the long term.

Cultural Perspective

The second major challenge: address recognition from a "cultural" rather than a "program" perspective.

Historically, recognition efforts in most organizations start with an event, such

as a celebration for some organizational milestone (making a sales goal or recognizing employees who have been with the company for 10 years), then over time those efforts become institutionalized as programs.

Today, the primary focus of effective recognition efforts is on creating a true culture of recognition, not launching programs or hosting events. The trend in progressive organizations is to decentralize recognition resources to the front-line manager level, because many research studies have found that is the level of greatest impact in the motivation of employees. If an employee feels he has a good boss, he typically feel he has a good job and is motivated to excel in his work.

How is a culture of recognition best achieved? In my experience, it involves three things:

- Commitment from the top. A heartfelt change-management initiative has one or more sponsors in the executive ranks of the organization. HR leadership needs to get top management to make a conscious effort to examine the organizational structure, to eliminate barriers such as fear, bureaucratic policies and politics within the organization and to replace them with positive and productive management strategies.

- Instituting management training in recognition. "The No. 1 reason managers cite for not using recognition programs is: they don't know how. This shortfall can be overcome by providing training to managers on the issue, using what I call the "Heads, Hands and Hearts" approach. In the "Heads" portion of the training, they

address the beliefs they hold about recognition, and their role in making it happen: “I’m not sure how to do recognition well,” “It’s not my job to do recognition,” “Employees will take advantage of me,” etc. The “Hands” portion looks at the manager’s skill level and comfort in doing recognition well. The “Hearts” portion examines the motivation and passion to use recognition with their employees.

Once managers are trained to provide effective recognition, they need to be held accountable for doing so. If recognition remains an optional activity for managers, it will seldom occur with the frequency necessary for today’s employees. The bar needs to be raised for managers in your organization, so they all will view recognition as an expected part of their management responsibilities.

- Keeping formal reward programs fresh and relevant. Fewer and fewer employees report that formal recognition programs, such as years-of-service, employee of the month or retirement parties, do much to motivate them or their performance. To the extent that most organizations have formal recognition programs in place, those programs need to be better integrated with informal recognition practices that are reported to be more meaningful to today’s employees. Most employees want to be more actively engaged in their jobs today and daily involvement, support and recognition are effective ways to make this happen.

Global Reach

The third major challenge is: developing an effective rewards and recognition strategy with a global reach.

As organizations become more multinational and multicultural, recognition and incentive strategies need to change to better fit the needs of all employees. Even companies that do not have international operations are finding that their traditional employee base is drastically changing.

The challenges of implementing a cross-cultural recognition strategy are many. How do you keep recognition efforts fair and consistent across organizational boundaries, functions and cultures? How do you adapt to local or cultural preferences of employees? How do you manage your recognition efforts to assure both efficiency and effectiveness?

Demographics indicate that new generations of employees since the baby boomers have different values and expectations about work. They place a greater emphasis on having their work be both purposeful and motivating from their first day, not after they have “paid their dues” according to someone else’s values and priorities. Thus, real-time, here-and-now forms of reward and recognition connect better with the new generations of workers now joining the workplace.

One solution for global recognition efforts can be obtained through a Web-based platform that allows for consistency in communicating and tracking reward and recognition systems throughout the organization, which helps both in the consistency of purpose, communication and delivery of offerings. Such a system can allow for flexibility (from how information is communicated to

reward options) based on the needs and feedback of the local population.

In these dynamic and stressful times, prompt formal and informal rewards and recognition provide effective ways of encouraging higher levels of performance from employees. Yet few organizations embrace this principle, and thereby allow recognition to become a competitive advantage in achieving the organizational mission, strategy and objectives. The challenges and opportunities for HR executives to have an impact in their organizations are significant in the area of rewards and recognition.

As we enter 2007, by moving rewards and recognition from being a “nice to have” organizational perk to a “have to have” strategy for obtaining and enhancing performance, any organization has the ability to tap into a wellspring of energy that their employees are ready to bring to bear in helping the organization reach its goals and objectives.

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