

## *Step 6: Rewards & Recognition*

Key factors influencing award choices.

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### *Non-Cash Award Spending*

According to an Incentive Federation Study on Merchandise and Travel Awards, U.S. businesses spend over \$28 billion annually on non-cash incentive and recognition awards. It is thus surprising that little research exists to support their use. This may explain why that same Incentive Federation study found that nearly two-thirds of companies do not use non-cash awards, such as merchandise, travel, gift certificates and gift cards for their incentive or recognition plans.

### *Memorability, Buzz, And Communications*

Fortunately, a growing body of knowledge has begun to shed clearer light both on the role of incentive programs and of cash versus non-cash awards. *“Incentives, Motivation, and Workplace Performance,”* an International Society of Performance Improvement study by Harold D. Stolovitch, Richard E. Clark and Steven J. Condly, found that properly structured incentive programs can increase performance by up to 44% in teams and 25% in individuals, so the stakes are high.

### *Cash Vs. Non-Cash Awards*

The biggest believers in non-cash awards generally reside in sales and marketing management; sales, dealer and consumer incentives constitute the majority of spending, despite the enormous population of the U.S. labor pool. In fact, 82% of respondents to the Incentive Federation Survey use non-cash awards for salespeople, 77% for consumer promotions and only 67% for employees. Is it a coincidence that revenue-side managers favor incentive programs and cost-side managers less so?

## ***Non-Cash Award Advantages***

In the absence of definitive research, proponents argue that non-cash awards:

***Provide more recognition*** because they don't get mixed with cash compensation and pricing issues.

***Produce a longer-lasting boost*** because they are remembered much more readily than cash compensation. Finally, proponents argue that non-cash awards:

***Support communication and alignment*** by drawing greater attention to goals.

***Generate more organizational buzz and excitement*** because people feel freer to talk about non-cash rewards and recognition than compensation.

Opponents of cash awards argue that everybody wants cash, cash keeps the award process simple, non-cash awards are more difficult to administer and fulfill, and that incentive programs in general create unproductive competition instead of teamwork.

## ***Four Reasons Why Non-Cash Awards Are Superior***

How do non-cash awards compare with cash rewards when the goals include rewarding exceptional behavior, enhancing communications and better aligning employee actions with external marketing promises?

In a research paper titled "*The Benefits of Tangible Non-Monetary Incentives*," Scott Jeffrey, assistant professor in the Department Of Management Sciences (University of Waterloo, Ontario) identified four key reasons for using non-cash awards in an incentive or recognition program. These include the following:

**1. Evaluability.** When properly presented, non-cash awards ignite the imagination in a way that enhances their perceived value.

**2. Separability.** Non-cash awards enable you to distinguish the recognition from compensation, whereas using cash invariably turns the extra reward into expected compensation.

**3. *Justifiability.*** Participants receive special satisfaction from non-cash awards, because there's no guilt associated with spending them.

**4. *Social Reinforcement.*** Non-cash awards facilitate communication and alignment because people feel free to talk about them in a way that would be inappropriate for cash compensation.

## ***Additional Research Findings***

An Incentive Federation study of non-cash incentive award users (released in September 2003, with an additional study performed in 2005) revealed additional points for consideration, described next. Note that both of these studies validated the following key points.

***The Memorability Factor.*** The majority of users surveyed believe that merchandise and travel awards get remembered longer than cash, and that cash awards have the least residual value. These findings support the use of non-cash awards when the goal involves getting attention and deriving value in terms of focus and commitment levels.

***The Communications Factor.*** Companies that use incentive programs cite the attention-getting benefits of incentive programs, starting with the enrollment process that pledges each signer to success and continuing through the regular standing reports and related tips and training materials. Employees stand a better chance of opening an e-mail or reading training materials if they see a clear benefit. Since the goal of communications clearly has little to do with compensation, using cash as an incentive subtly confuses the matter.

***The Buzz Factor.*** Does your goal involve mobilizing the organization toward clearly defined goals to get people talking, sharing ideas? This would favor a non-cash strategy, since employees speak far more freely of non-cash rewards and recognition than they do about cash, a subject that immediately leads to sensitive questions related to compensation.

***Program Addiction.*** Employees quickly learn to expect anything involving cash as compensation and often view each failure to get that cash as a setback. "Program addiction" becomes an even greater problem in cash-based programs than non-cash programs.