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Mastering the Art of Corporate Incentive Programs

How to unlock the right employee balance

As an HR professional, you're certainly familiar with corporate incentive programs. You also likely understand their value in boosting business performance, employee satisfaction and tenure, even if your company doesn't presently have a program. So it's the task of this article to provide you with some information you may not know: the results of an interesting research study[1] we recently completed on employee incentives, from the point of view of the employees themselves—what works, what doesn't and why.

Our goal was to confirm the value of corporate incentive programs, and help employers design or improve the efficacy of their existing programs for best results. In today's environment, corporate incentive programs aren't just table stakes. Designed and managed properly, they're a key differentiator and a direct competitive advantage. Yet most often, corporate incentive research is done from the perspective of HR, managers or company executives. Instead, we focused on the employee perspective, specifically:

- How do employees feel in general about corporate incentives?
- Do corporate incentives increase job satisfaction, retention and company reputation?
- What types of incentives do employees prefer? And which of these incentives impact job satisfaction and work performance?
- Do insights differ between employees who have corporate incentives, and those who don't?

The main theme that emerged from our research was the need for balance. This is why mastering corporate incentives is more art than science. Finding the right balance requires judgment, and judgment requires information. What follows are some of the highlights from our study.

Attitudes about corporate incentives

Responding to a series of questions concerning their attitude toward corporate incentives, 80 percent of all employees (those with and without incentives) agree that incentive programs have a positive impact on overall job satisfaction and performance. Without question, they love corporate incentives. They feel more satisfied, more motivated to be productive and have a greater sense of value in the organization.

By itself, this wasn't surprising. But what was notable was that four of five employees find satisfaction in giving or nominating a co-worker for a reward, indicating that peer-to-peer recognition is a very powerful engagement tool and can bring a sense of community to the workplace. If your program doesn't include peer recognition (either monetary or nonmonetary), consider it as a method for creating the team spirit so critical to an organization's success.

Asked about the likelihood of rewards affecting their motivation to perform better at their jobs, 71 percent of employees currently without incentive programs responded "likely or somewhat likely," thus providing further testament to the effectiveness of corporate incentives.

Employee incentives are important, because your employees are important

Research and long experience have taught us that employee incentives drive engagement, improve productivity, increase profitability and improve talent acquisition and retention. In addition to our own efforts, we like to match up our studies with those from other organizations to confirm trends. Gallup frequently monitors employee satisfaction and the effectiveness of corporate programs. In their 2012 State of the Global Workforce study, they've discovered links between employee engagement at the business unit level and vital performance indicators, including customer metrics; higher profitability, productivity and quality; lower turnover; less absenteeism and theft; and fewer safety incidents. When a company raises employee engagement levels, everything improves across every business unit.

That sort of big-picture success is built in the daily 9–5 grind, by your people. They run your business. What do they think about things?

Every employee has his or her own preferences and attitudes, of course. The balance between the type of incentive, how it's delivered and how it dovetails with these preferences determines the optimal results. For example, from our survey 85 percent of employees prefer individual over group incentives. This makes sense, because every person in your organization is pursuing a personal career path that should align with larger corporate missions and goals.

Accordingly, your focus should be on improving the individual employee experience, including identifying and developing people with diverse ideas, insights and innovations related to how they spend most of their waking hours: working. One way you can do this is by using recognition profile surveys that showcase preferences and attitudes. These will help managers better understand individual motivators, especially in decentralized organizations.

This isn't to say there's no role for group recognition. There very much is; 57 percent of employees preferred group incentives, with a 42 percent overlap. However, the initial focus should be on creating an avenue for recognizing individual accomplishment, so employees are not exclusively dependent on others' performances.

Good vs. bad recognition

Here was the crux of our survey: determining the fine line between good recognition and bad recognition, as experienced by the employees themselves. And here we found a curious sort of mirror-image balance. Results showed that employees' top reasons for satisfaction with their programs were also generally the top reasons for dissatisfaction, as measured by rewards accurately reflecting the accomplishment, redemption options and fairness. Reward value and reward choices were the main factors.

There are three conclusions to be drawn from this yin-yang intermingling of satisfaction and dissatisfaction:

1. **Align the perceived value of the reward to the work it recognizes and communicate it, preferably in a personal way**

   Companies sometimes take the shortcut of using incentive technology—that allows them to efficiently manage decentralized organizations—as a replacement for personal interaction. One of the undercurrents of this survey was that not only recognition, but the personal touch, is important to employees. So far as possible, the manager should personally communicate recognition to the employee, praising the accomplishment and relating it back to company goals in terms that can be easily understood: Because you did X, the organization is better able to achieve Y. It's hard to overemphasize the importance of this personal step. How the reward is delivered is as important as the reward itself; maybe more so in some cases. If your managers aren't interacting with their subordinates day to day, devise ways for them to get to know their employees on a personal basis, to understand their recognition and engagement preferences.

   And, of course, don't neglect saying two little words out loud: thank you.

2. **Offer a wide array of rewards that appeal to different types of employees, especially with multiple generations in the workplace**

   There are three, and sometimes more, generations in the workplace. Sometimes one size fits all, but not usually when it comes to such a diverse workforce. It will be necessary for you to understand key differences in experiences, preferences and beliefs among the generations to apply the right type of recognition.

   If necessary, conduct a survey with very specific questions: How do you feel about the current program? Do the rewards appeal to you? Do they meet your specific, individual needs? Are they something you would aspire to? Are there other rewards you'd like to see?

3. **Employees place great value on fairness and simplicity**

   Fairness and equity came up in our survey over and over again, and this seems to be a troublesome issue across all organizations. There's inconsistency in how managers reward their employees. To combat this problem, consider using aids, such as a nomination wizard, to weigh the various factors that go into qualifying for an award. With the scales thus calibrated, managerial misjudgment or favoritism can be largely avoided.

   Regarding simplicity, employees need to understand the company goals and objectives they're moving toward. How do these often vague missions filter down to the employees? If the goal is "increase market share," what does that mean to the people expected to achieve that goal, right now, today, sitting at their desks?

The emotional tie to good recognition

Fairness speaks to another key undercurrent in any study of employee incentives and motivation: the emotional tie to good recognition. Underestimate it at your peril.

In the past, people derived their greatest sense of happiness from time spent with families, or from hobbies. But there's been a monumental shift, and today job satisfaction factors significantly into overall happiness. Job fulfillment is essential, and work/life balance isn't just a catch phrase.

Employee engagement takes place not in the mind, but in the heart. Every employee is unique, with his or her own triggers and responses. Feelings and emotions drive human behavior—including outwardly rational behavior—so well-designed, personalized recognition is key to driving engagement levels. How people feel in their jobs has the greatest impact on their performance. To reiterate, if your managers aren't getting to know their people on an individual basis, and managing and recognizing them based on that knowledge, they need to be.

As HR professionals, you're familiar with the adage, "Take care of your people." In a February 2015 FastCompany.com article, University of North Carolina psychology professor Barbara Fredrickson explains it this way: "When people are made to feel cared for, nurtured and growing, that will serve the organization well. Because those feelings drive commitment and loyalty just like they would in any relationship. If you feel uniquely seen, understood, valued and appreciated, then that will hook you into being committed to that team, leader and organization. This is how positive emotions work."

Avoiding disappointing recognition

In a multigenerational workforce, understanding your employee demographics and aligning your recognition program with their experiences and preferences is very important. Programs should be designed to reflect the company's socio-demographic profile. For example, if you're a manufacturer, most of your workforce is manufacturing employees. Their concerns may tend toward the basics of food, clothing, shelter and family life. Aspirational rewards—think high-tech espresso maker—aren't going to be viewed as terribly valuable when they have more immediate needs. At the same time, the older, more established portion of your workforce may find such aspirational items more appealing at their point in life. Flexibility in providing an array of options allows you to increase effectiveness and satisfy everyone.

As another example, we found that the opportunity to meet with senior business leaders consistently ranked as one of the least preferred incentives across the employee base, because this reward has career development rather than monetary value. But within the 21–34 age group—the prime career development age—the opportunity for "face time" with the executive suite was more important than in the other age groups. This would be another opportunity for balance: Keep the option, but don't allow it to be the only option.

Our study showed a number of areas that risk dissatisfaction:

- **How do individuals prefer to be recognized?** Employees have surprisingly strong feelings about this. Some like company-wide announcements, others are satisfied with an email, but most prefer a personal, human touch. Consider using a simple questionnaire to determine which option each individual values most.
- **Are you consistent in how recognition is practiced across the organization, and do employees recognize that consistency?**
- **How is the budget utilized, and how is it distributed among the employee base?** It's always easy to recognize your top-tier employees, and help the lower tier on their development plans, but what about the large middle group? Don't overlook the bulk of your workforce by focusing on the "easy" ones.
- **Are your managers recognizing the right behaviors?** Is it clear how they align with corporative objectives or strategies? Do managers understand the goal of the program?
- **Are there communication and presentation guidelines in place?** Follow procedures, but never forget that recognition takes place at the personal, individual level.

The participation trophy generation

Our study indicates that there's a broad preference for incentive programs based on age range. Millennials (21–34) value them the most; Baby Boomers (50–64) less so. In fact, younger workers are overwhelmingly influenced by incentives, in nearly every way.

Why do Millennials value incentives to such a great degree? We have a saying around our office that describes Millennials: "living out loud." That's how they've grown up. Everything is socialized with peers, gratification is instant, and rewards and accolades are bestowed whenever a positive activity is completed. As a result, this group has been accustomed to consistent affirmation from its earliest days, and derives strong emotional satisfaction from recognition. In the workplace, this drives them to increase their engagement levels to a greater degree than other age groups. This is a key differentiator, and should be considered when you attempt to achieve program balance.

The digital word: now

One of the most enduring axioms of the digital age has been that older people are reluctant to embrace technology—"grandma doesn't do the internet"—and that they'll always be hopelessly behind Millennials. Our study found that if that was once true, it's not now. All the age groups overlap when it comes to being receptive to new technology. Older people aren't early adaptors of the "latest thing" as Millennials are, but they're proficient when they do adapt.

For example, our study shows that virtual rewards (such as electronic gift cards) carry very high appeal across all age groups, and an equally high likelihood of all age groups actually using those rewards. In that sense, the digital generation gap has definitely closed.

Where there is more of a difference is program access. There are emerging distribution channels of incentives, such as engagement websites and mobile applications. Your younger employees will be early adaptors and readily embrace whatever is new. The older your workforce, however, the less interested they'll be in such innovations. The appeal to the Millennials can lure you into spending a lot of money on the "latest and greatest," but it's prudent to consider the preferences of your entire workforce before you do.

Talent acquisition and research

According to our study, incentives are effective in acquiring and retaining new talent, especially among—surprise—the younger workforce. In the 21–34 and 35–49 age groups (the most transitory groups), employee incentives are most definitely a key factor in acquisition and retention. Increasingly, these age groups perceive incentives as a necessary component of their employee compensation. According to the PricewaterhouseCoopers 17th annual global CEO survey, 81 percent of CEOs said they were concentrating their investment focus on talent, while 90 percent said they're changing their strategies for attracting and retaining talent.

If you don't have a program, or don't feel it's effective, ask yourself: Are we competitive in the marketplace? If your organization is having trouble in this area, look across the age groups, see where you can revamp, and make incentives a competitive advantage by making it part of the overall benefit package.

Finding balance

It's true enough that you can't please all the people all the time. But by utilizing best practices, based on employee feedback and sound industry research—consider demographics, communication, meaningful rewards, aligned business objectives, fairness and simplicity—you should have a very good chance of pleasing most of your people, most of the time.

1. *Survey conducted in December 2014 with 1,000 participants from multiple industries with annual household income of $50,000 or more.*

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