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THE **ART** AND **SCIENCE** OF **ENGAGING** **REWARDS**

2017 EDITION

The definitive, research-based guide to the most effective use of non-cash rewards in incentive, recognition, loyalty or other engagement programs.

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Foreword to 2nd Edition

By Bruce Bolger

The second edition of the Art & Science of Rewards and Recognition comes at an important time for the field. ISO (International Organization for Standardization), one of the most prestigious standards organizations in the world, has included rewards and recognition in its ISO 10018 standards for quality people management. Issued by the same technical group that created the widely-followed ISO 9000 standards, ISO standard 10018 provides a formal framework for achieving quality through people that specifically outlines rewards and recognition as a critical tool, among other key levers of engagement.

The fact that these standards underline the importance of rewards and recognition as a critical element of engagement and performance, is important validation for a field that has long struggled for legitimacy, and, at times, operated under a cloud of ethical concerns. Today, despite the abuses of a few organizations and the negative media attention they've received, virtually every US company operates incentives programs.¹ Organizations don't spend hundreds of billions of dollars each year on rewards each year just to be nice. They know that rewards and recognition are vital components of engagement and performance.²

ISO 10018 Standards Explicitly Call for Use of Rewards and Recognition

ISO 10018 quality people management standards were published in 2012 by the same ISO technical group that manages the respected ISO 9000 quality process management standards, for which companies could first gain certification in 1987. Today, there are 1.3 million ISO 9000 compliant companies in the world, about 400,000 in Europe, 350,000 in China, and 35,000 in the U.S. The first certification program for ISO 10018 standards was launched in late 2017 by the International Center for Enterprise Engagement (ICEE) at the Healthcare Management Institute of the University of Texas Medical Branch, Galveston, Texas.³

Published in 2012, the ISO Quality Management Principles and 10018 quality people management standards recommend a strategic and continual process of assessment, design implementation, analysis, and measurement that include the elements in the chart below. Properly designed rewards and recognition strategies can affect almost all of the quality management tactics included in the ISO standards.⁴

¹ Allan Schweyer (2018) *The Benefits on Non-Financial Rewards*, Incentive Research Foundation

² Ibid

³ See: <https://theicee.org/about-icee/>

⁴ See: <https://www.iso.org/news/2012/11/Ref1679.html>

Table One: Elements of ISO Standard 10018

Attitude and motivation A.2	Leadership A.9
Awareness A.3	Networking A.10
Communication A.4	Recognition and rewards A.11
Creativity and innovation A.5	Recruitment A.12
Education and learning A.6	Responsibility and authority A.13
Empowerment A.7	Teamwork and collaboration A.14
Engagement A.8	

Key to Success: Effective Design and Implementation

Skeptics of rewards and recognition programs, such as quality management guru W. Edwards Deming, Professor Alfie Kohn, and others, correctly criticize improperly designed programs that create competition or focus on outcomes over process. No one denies that poorly designed incentive programs can result in unintended consequences, the impact of which can be severe.

Nevertheless, dozens of researchers have demonstrated that rewards and recognition work. Programs must reward collaboration and success as part of an overall transparent process that addresses all key levers of engagement— a sense of mission and purpose, capability, autonomy, inclusion — can foster positive emotions and cultural attachment unlike most any other organizational tactic. In other words, success depends on a deep understanding of how to use rewards as a medium to affect people positively in alignment with communication, learning, community, and more.

The fact that rewards and recognition are included in ISO standards creates a significant opportunity as well as challenges both for the organizations that use them and solution providers. ISO standards call for the application of at least some rigor and compliance. But to get the full value of standards, organizations must do more than check off the boxes. They must apply the spirit of the standards as well, by leveraging the research and best practices compiled over decades and which now form a framework for enterprise engagement.

The Art and Science of Rewards and Recognition ebook is designed to be an ongoing, regularly updated reference document for every organization that uses non-cash rewards as part of their recognition, incentive, loyalty, benefits, event marketing, business gift, charity auction or related activities. While it includes a summary highlighting the key findings of nearly 20 years of research, it also includes detailed background reference material for specialists serious about program design and pursuing a modern, scientific and creative approach to the reward experience.

Executive Summary

Incentives, rewards, and recognition have been used in commerce for thousands of years, but only recently have organizations begun to take a more scientific approach to their use. Based on heightened interest in engagement – grounded in extensive research demonstrating the connection between engagement and performance – both research institutions and organizations are taking a more critical look at the way rewards are used – for customers, distribution partners, sales & non-sales employees and other key stakeholders.

Over the past three decades, sweeping changes in the economy and of work itself – from a focus on tangible assets to intangible value – have driven the adoption of new management and leadership techniques. Accordingly, the use of incentives, rewards and recognition must change too. A meta-analysis of two decades of field research and empirical evidence finds that the best results are achieved when rewards and recognition are:

- Offered as part of formal programs that address each of the key levers of engagement.
- Clearly differentiated from cash compensation and pricing.
- Selected with a personal knowledge of the recipient.
- Presented in a highly-personalized way, appropriate to the individual and the accomplishment.
- Used after desired behaviors and achievements to *support* intrinsic motivators
- Used as incentives only in rare circumstances, i.e., in incentive travel and where intrinsic motivation does not apply (e.g., repetitive, boring tasks).
- Systematically measured (tangible returns and intangible value) in a way that can connect performance and behaviors.

If you take one message away from this book, let it be this: When rewards are used **after** a person does something exceptional, and when they are used to **reinforce** recognition, they play an important role in supporting the universal human motivators of purpose, autonomy, connection and learning. If they are used as **the** motivator, and dangled like a carrot to coerce a person into doing something, their effect is diminished. Over time the impact of the reward is, at best, lost; at worst the incentive is gamed and its intent twisted such that unintended consequences follow.

– Allan Schweyer, Chair, Enterprise Engagement Academy

Introduction

While almost every form of business has changed in the last 30 years, it's safe to say that the fundamental design of rewards and recognition remains much as it was in the 1970s and 1980s at most organizations. While an infinite variety of award types and web platforms and apps are now available, the way most programs are designed has changed little over the years.

Despite over a decade of extensive research on the proper use of rewards and recognition to engage customers, distribution partners, employees, vendors, and communities, most organizations continue to run programs based on a carrot and stick – do-this, get that – approach, without addressing all of the other factors that engage and motivate people to perform.

At the same time, organizations *have* gained an increasing respect for the importance of engaging people across their organizations to achieve performance goals. They spend considerable sums on rewards and recognition, learning, communication, coaching, collaboration, and innovation, all in an effort to boost engagement scores, resulting, they hope, in better customer satisfaction, sales and market share. Unfortunately, despite great effort and expense, aggregate employee engagement scores have not budged since Gallup began conducting national and international surveys more than a decade ago.

At the organization level, however, firms from all sectors and of all types have broken through. Google, W.L. Gore, NASA, Wegmans, the Container Store, Marriott, KPMG, Whole Foods and many others have adopted 21st century “people practices” that inspire and engage 21st century talent. No two organizations are identical and no universal formula for engagement exists, but the tactics of engagement used by leading firms – and confirmed in empirical research – can be used as a guide to better, more consistent results *in any organization*, with a measurable return on investment.

The Art & Science of Engaging Rewards is designed for professionals in marketing, human resources, corporate communications, or in fund-raising who seek an authoritative reference for the information they need to design the best possible incentive, rewards, recognition and engagement programs. This e-book, based on a compendium of over a decade of field research and case studies is designed to provide the most up-to-date reference for serious practitioners seeking to design the best programs for their organizations or clients based on the latest research and leading-edge practice.

Chapter 1: The Emergence of Engagement and Its Impact on Rewards

Disengaged employees, customers, and distribution partners constitute one of the most difficult and enduring business culture problems across the United States and around the world today.⁵ The good news is that engagement can be improved. There are dozens of organizations, in the private sector and in government, that have done it. How they succeeded is no secret, it is explained thoroughly in this ebook. The emergence of engagement not only affects how organizations manage their people, but has a significant impact on how they use incentives, rewards, and recognition.

Thirty years ago, leaders didn't talk about engagement. Workers were expected to be productive, sitting at their desks or standing on an assembly line for eight or more hours a day doing much the same thing over and over again. The overarching goal of management was to make workers do what they were told. Organizations worked to "satisfy" customers, but even twenty or thirty years ago, there was no notion of an "engaged customer," let alone an engaged supplier. This approach affected the way organizations rewarded and recognized people. They tended to focus on offering cash or noncash rewards to entice people to do something, without looking at all of the other ways people are motivated and engaged.

Today, many more organizations are waking up to the fact that a culture of engagement – where standards are adhered to across the enterprise, and all key constituents have a similar understanding of the organization's brand proposition – is a significant competitive advantage and a key differentiator.

The old style and still dominant attitude toward customers, employees and other stakeholders – command and control – used to work. It worked because people were doing repetitive, transactional work and customers had less choice and lower expectations. But think about all that's happened in the past century. We've gone from an Industrial Age, to an Information Age, to a Creative Age and an Experience Economy.⁶ All in less than 100 years.

Starting in the 1970's the market changed rather incredibly. Back then most of us still worked in physical jobs and the world's most valuable companies manufactured

things or extracted resources. 83 percent of their value was wrapped up in the tangible equipment, land, factories and other things that they owned. Today, the situation has completely flipped. Now almost 90% of a typical company's value is in

⁵ Josh Bersin (2015) *Culture: Why It's The Hottest Topic In Business Today*. Forbes Magazine

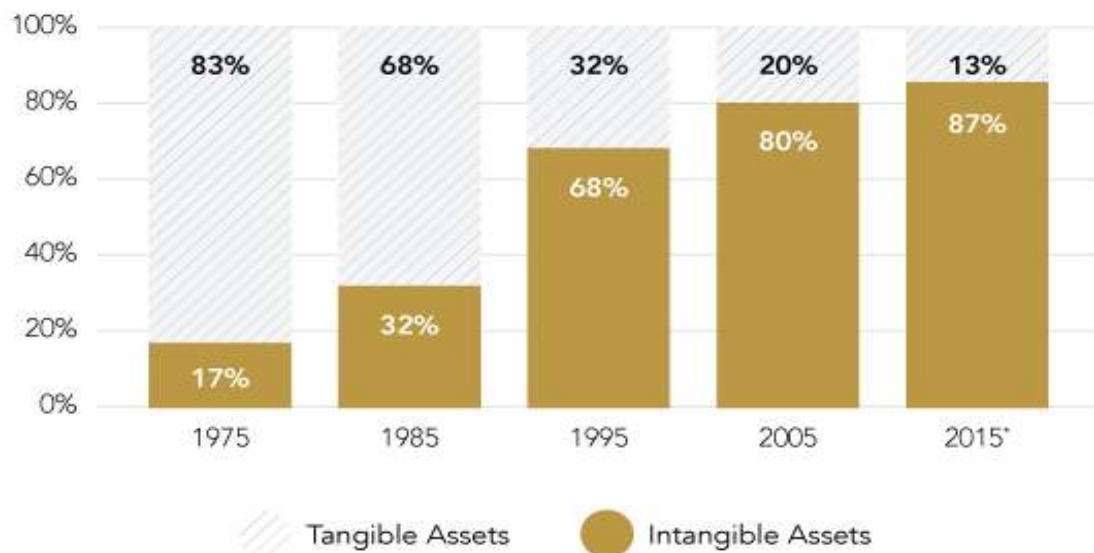
⁶ Steve Kotler & Jamie Wheal (2017) *Stealing Fire*. Dey St. NY

their intangibles – ideas, relationships, quality of the leadership and talent – things wrapped up in people and the culture of the firm.

Intangibles are very hard to measure, but if you watch the markets, investors obviously value them greatly, even if they can't measure them precisely. Today, as evidenced in Figure One, investors value intangibles at many times the value they place on tangible things they can measure – that's a great leap of faith.

Figure One: A Completely New Economy

COMPONENTS *of* S&P 500 MARKET VALUE



SOURCE: OCEAN TOMO, LLC

Of course, it's not only the market and economy that have changed radically, so have the people - the workforce, consumers, and community members. Thirty years ago, the big brands controlled the scene. They could often dictate to retailers what to display when and at what price. Then the power shifted to the big retailers, who could dictate to the manufacturers. Today, with social media, the power has shifted to the consumer, who with the power of a "like" button can have a serial impact on a brand's equity with the click of a mouse.

Similarly, a transformation has occurred in the workplace. When the early work on incentives and motivation was done during the Industrial Revolution, work was almost entirely physical. The Momentum in the workforce started moving toward the services and white collar economy in the 1970s. People started using their brains more than their hands but the old incentives were still effective because the work remained mostly transactional.

In the 1990s change really started to accelerate, the share of intangible value in firms doubled between 1985 and 1995. Today, employees, contractors, partners and suppliers – just like companies – are valued for their innovation, creativity and teamwork. The “extra-contractual” value they bring, such as knowledge and idea sharing, and citizenship behavior such as helping other people and customers, are things that you can’t easily describe in a job description or easily measure. This is an enormous transformation.

Today, organizations need much more from the workforce and the workforce expects much more from employers. The only way to gain what’s needed from the workforce is by building social, rather than transactional relationships. The research tells us that one of the known benefits of well selected rewards, including recognition and appreciation, is that they help build social relationships. Thus non-cash tangible and intangible rewards are more important now than ever.

The Power of Engagement

In December of 2015, employees at SpaceX put a rocket into space and brought it back, landing the launch module safely and accurately (see video clip below). No one had ever done that before: it’s remarkable and inspiring. It also required what we refer to in this book as “enterprise engagement.” SpaceX is a modern, unique company in the way that it rewards and inspires its employees and in the way that it “co-creates” value with its customers, suppliers and partners.

SpaceX could not have achieved what they did without assistance from NASA, for example. Handled improperly though, NASA could very easily have become a rival. Today SpaceX borrows knowledge from and supplies NASA, and the same is true in the opposite direction. SpaceX also engages suppliers, it organizes and participates in research and development contests, builds excellent relationships within its geographical communities, and leverages the contributions of many volunteers. In short, SpaceX is a thoroughly modern company, and one that practices engagement across the enterprise.

Video Clip: SpaceX Successful Rocket Launch & Landing



<https://www.youtube.com/watch?v=k96rzza4xL8>

Think about how work has changed in your industry or profession as well. No doubt, it doesn't much resemble the way things were done even 20 years ago. In any conversation about what drives engagement and causes disengagement we have to start by acknowledging several things:

1. Our work has changed radically and completely over the past 20 years:
It has gone from physical to cerebral.
2. Our work has changed from routine and repetitive to complex and creative.
3. Our customers have grown more knowledgeable and more demanding
4. Our channel partners might becoming more choosy about who they represent
5. Even our suppliers might offer different levels of service based on the quality of the relationships they have with their customers
6. The community, whether physical or virtual can help or hinder our efforts enormously

And for many organizations, relationships with investors and other key stakeholders have also grown more complex.

All this change has a significant impact on the design of incentive, reward, and recognition programs that many organizations have failed to recognize.

startups were never saddled with old-style industrial age management, leadership and “customer service.” Not having to overcome this legacy leadership technique conferred enormous advantages on new organizations, letting them more easily motivate and engage creative workers, and leading directly to the innovation that has set them apart.

Consider that most of Facebook’s and Google’s employees can walk out the door into high paying, exciting jobs, anywhere they want. Yet relatively few of them do so. Their customers and users also have alternatives but they continue their double-digit grow.¹¹ Why? Because these valuable companies – the winners in our creative economy – are also great places to work and great companies to work with. Places that encourage people’s ideas, creativity and innovation – whether employees, customers or partners.

Command and control and the carrots and sticks that go with it are the easy buttons of leadership. *But they no longer work.* Building a highly-engaged workforce and constituency is exceptionally hard to do. Leaders are busy. Many prefer to stay safely in their offices with the door shut. But, think about the example of SpaceX. Engaged organizations do things like invent rockets that can go into space, return safely and land on a precise target.

Without question – and with rare exception – engaged organizations massively outperform organizations that aren’t good places to work or do business with. Today, no serious researcher or leader disputes the evidence that a better engaged workforce, better engaged customers and better engaged key stakeholders lead to a more productive, more profitable organization with better outcomes across the board. The evidence is clear:

Organizations that are among the best at engaging their employees are about three times more productive than the average organization; that is 300% more productive!¹² Organizations that engage their employees and their customers see exponential revenue and profit gains of more than 270%.¹³

And this spills over into our personal lives. Engaged employees are happier, healthier, better to their customers, spouses, children and friends. Engaged suppliers somehow find us better deals, engaged customers refer new business to us and will even forgive us our transgressions and mistakes. That’s why it may seem like every

¹¹ See: <https://techcrunch.com/2017/07/26/facebook-earnings-q2-2017/> and <https://www.recode.net/2017/7/24/16020840/alphabet-google-business-stock-earnings-growth-cloud-revenue-profits-q2-2017>

¹² Allan Schweyer, *The Economics of Engagement*, Enterprise Engagement Alliance, 2012

¹³ John H. Fleming and Jim Apslund, *Human Sigma*, Gallup Press, 2007

leader and business guru is talking about engagement today. That's why so many people are calling for changes in management and leadership styles and new efforts at building engaged cultures.

That is why the design and use of incentives, rewards and recognition has to change as well. *You can't send rockets into space and land them by telling people what to do. You can't motivate knowledge and creative workers by dangling sweeter carrots and wielding sharper sticks. You can't be first in your industry (or even expect to survive) by taking a 19th or 20th Century approach to motivating your workforce or satisfying customers. Customers, employees and partners do not become brand ambassadors simply by signing a contract or by joining a loyalty program.*

Rewards and Recognition – and to smaller and diminishing extent – incentives, play a vital role in the processes of engagement. Indeed, almost all of what causes employees, customers and other important stakeholders to engage can be captured through better design of recognition programs.

“Emotional connection and intrinsic motivation are factors in engagement that you can't buy. When you put a carrot out there it's clear you are trying to buy my loyalty. Instead you need to work on the emotional connection between the brand and the people who move it. You don't build a relationship by dangling a carrot. Relationships begin with trust, shared values and communications.” – Chris Galloway, Founder, Animate Growth Partners

Hinda Incentives, Inc.

Chicago-based Hinda Incentives helps companies deliver rewards solutions that engage and inspire. Hinda prides itself on keeping up with merchandising trends and offering a variety of products to suit the tastes and preferences of every generation, including:

- Brand-name merchandise.
- Instant, easy and intuitive digital awards featuring books, music and movies.
- Individual travel award opportunities.
- Custom manufacturing – our manufacturing facility delivers jewelry and other unique custom items to meet your budgets and your needs
- Global award fulfillment capabilities through alliances with international partners
- Customization options that include communications, branding, personalization and delivery.



Hinda knows how to approach, manage, and motivate different generations in the workforce through research and trend monitoring to help you get the most out of your talent. Our focus on **Generational Merchandising** targets the specific characteristics and desires of each generation to develop product collections and award offerings as diverse as your employees, customers and salesforce. This attention to detail provides the most effective award assortment in the industry, designed to engage and motivate those who have an influence on your business.

Hinda offers the **Warehouse Dash®**. In this action-packed event, your participants run through our warehouse aisles and grab any merchandise they want in a heart-pounding race against the clock! **Hinda Events** brings on-site reward and gifting opportunities to you for loyalty, incentive or travel programs, and for corporate meetings and recognition events. Our Web-based system, **EngagementLINK®** provides an efficient, immediate and effective way to manage multiple reward initiatives, allowing participants to accumulate points from all programs. Our **AwardHQ™** mobile app provides your participants with the ability to access program information, browse and search millions of items, track points, and order awards.



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Chapter 2: Incentives, Rewards and Recognition

Definitions

Incentives stand apart from rewards and recognition. Meriam-Webster defines “incentive” as “something that incites or has a tendency to incite to determination or action,” and “something that encourages a person to do something or to work harder.” Incentives are neither rewards nor recognition. They come *before* a person or team is recognized. Incentives are as complex and risky as they are ubiquitous. They will be discussed in depth throughout this ebook.

The terms “reward” and “recognition,” on the other hand, are at once very different and at the same time, nearly identical. In that recognition is a form of reward, any definition of recognition must fall under the definition of reward. However, all but the most mishandled of reward programs bring an element of recognition, accordingly, any definition of reward must fall under the definition of recognition.

Definitions of “Reward” and “Recognition” usually contain the elements in Table One below.

Table One: Definitions of “Reward” and “Recognition”

Reward	Recognition
“a thing given in recognition of one's service, effort, or achievement.” - Google	“the action or process of recognizing or being recognized, in particular.” – Google
“to give money or another kind of payment to (someone or something) for something good that has been done” – Meriam Webster	“acknowledgment of something's existence, validity, or legality.” – Google
“something given or received in return or recompense for service, merit, hardship, etc.”– Dictionary.com	“the acknowledgment of achievement, service, merit, etc.” – Dictionary.com
“something given in exchange for a useful idea, good behavior, excellent work, etc.” – Cambridge Dictionary Online	“formal acknowledgment conveying approval or sanction.” – Dictionary.com
	“special notice or attention.” – Meriam Webster

Distinctions Between Incentives, Rewards, Recognition and Compensation

As described above, incentives are clearly separate and easily distinguished from rewards and recognition. The distinction between rewards, recognition and compensation, however, is another matter. In the field of recognition, as well as in the engagement and HR vernacular, people tend to refer to rewards as tangible things – outside of normal pay and benefits – for example, a cash bonus, a trophy, a gold watch or an exotic trip.

The term “recognition,” on the other hand, is mostly used to describe acknowledgement that is intangible, a sincere thank you, for example, or formal recognition in a letter, an achievement award, peer recognition, or being singled out by the boss for a job well done.

Compensation normally refers to a person’s pay and tangible benefits, such as health insurance, paid leave, matching 401k contributions and potential bonuses. Increasingly, engagement professionals use the terms reward and recognition, interchangeably. A customer is rewarded with points that can be used to purchase goods; an employee is recognized with a gift card redeemable for merchandise or a dinner out, for example.

Today, the term “total rewards” is often used to convey the entire value proposition an employer might offer to “talent” it wishes to attract or retain. The concept of total rewards includes salary and bonus, time off, health and other benefits, but also cultural advantages they believe are compelling – a culture of recognition, an emphasis on employee learning and development, an inclusive management philosophy, a commitment to work/life balance, good management, a compelling reward and recognition program, etc.

Thus, the term “Total Rewards,” is intended to capture all forms of compensation and rewards, including “alternative currencies” such as job promotions, inclusion in the annual high-performer offsite meeting, a choice assignment or even access to learning opportunities.

Just as organizations are well versed in distinguishing their value proposition to customers, HR, recognition and engagement professionals are beginning to use the same tools to attract talent.

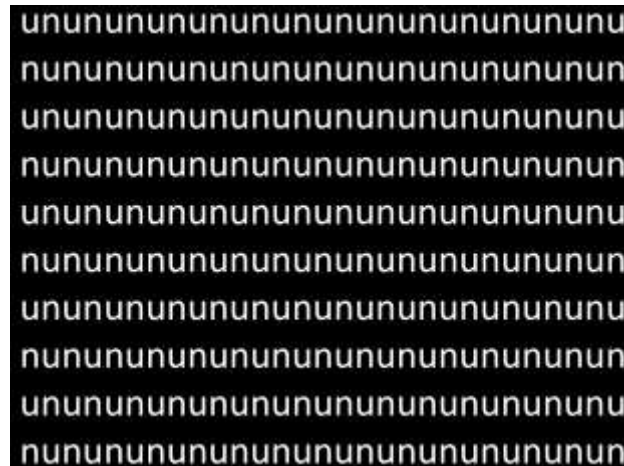
The Research Basis for Use of Non-Cash Rewards Versus Cash

“In every single study and every single focus group that anyone’s ever held to get a bunch of people together and ask them what they want [for an incentive award] 80 percent said cash. But at the end of the day, that has nothing to do with trophy value, it has nothing to do with shared memory, it has nothing to do with engagement. Why are you asking people what they want when you know what their answer is? Why don’t you design something that achieves the objectives you’re starting out with for the program? Cash is not a motivator. It’s a compensator.” – Incentive Marketing Association¹⁴

The question of what type of reward, recognition or compensation is most motivating is one that may never end. In truth, there is no all-encompassing approach to employee, customer or stakeholder engagement that works for every person in all circumstances.

Nevertheless, a preponderance of evidence suggests that where the broad categories of rewards – cash vs. non-cash – are concerned, there are reliable principles and best practices at play. Contrary to the IMA’s assertions in the quote above, cash can motivate under the right circumstances. Where work is repetitive, physical, routine and transactional, (or one’s relationship with customers is purely transactional) cash incentives to work harder or buy more can work. Dozens, if not hundreds of experiments confirm it. Consider Figure Two below.

Figure Two: Cash Works! (Sometimes)



¹⁴ Leo Jakobson, The Continuing Case for Non-Cash Rewards, Incentivemag.com, April 4, 2012

The image above represents just one such experiment. It is just a series of letters – U and N typed repeatedly. Two groups of MIT students were asked to type the two letters in sequence ... as many as they could in a few minutes. One group was offered up to \$300 based on their performance. The other group's rewards topped out at \$30. Which team do you think did better – the high reward group or the low reward group?

Right, the highly-rewarded team did much better – 95% better. This may come as no surprise but it is a useful illustration of how and when cash can be useful in motivating people to higher performance; for example, as a form of compensation based on results.

Cash also works better when people truly need it. In first-of-a-kind experimentation conducted by the Incentive Research Foundation (IRF) and the Maritz Institute in 2016, biometrics and neuro-marketing techniques were used to better understand people's true preferences when it comes to cash versus non-cash rewards. In this experiment, it was learned that people prefer well-selected non-cash rewards at the subconscious level and also after they've had a generous amount of time to think about and choose their reward. This is true except where people reported they had an urgent and specific need for cash. Sometimes, cash is king.

It is important is to understand the difference between extrinsic and intrinsic motivation. We are extrinsically motivated when we do something to get something else – a better job, a cash bonus, a fancy trip, or even recognition. When we are motivated to do a thing for its own sake, for example, studying for an advanced degree in art history – not to qualify for a job – but to satisfy an interest or a passion, we are intrinsically motivated.

Intrinsic motivations are nearly unanimously considered more powerful and sustainable but extrinsic motivates can be incredibly powerful too. Indeed,, though rewards aren't *needed* to drive intrinsic motivation, the best IRR programs appeal to both types of motivation. For example, a choice assignment, tuition assistance, travel to provide aid in a developing country – these are tangible rewards used to reinforce and support both extrinsic and intrinsic motivations.

Recent field research reinforces the notion that “self-integrated” (intrinsic) motives map to better fulfilment of the most powerful motivational forces known – purpose, competence, autonomy and relatedness – which in turn leads to greater well-being and higher performance at work. “Non-integrated” (extrinsic) motives, on the other hand, lead to frustration (as they can never be met) and thus, cause “ill-being,”

leading to “sub-optimal functioning” including burnout and exhaustion at work, and thus, lower performance.¹⁵

Experiential rewards map to “self-integrated” (intrinsic) motivators and lead to greater happiness (~engagement) and “vitality (~performance). Empirical evidence from the research also says money (e.g., a high salary) can also be a positive, sustainable motivator provided it is pursued for intrinsic reasons (e.g., to help others, gain freedom to do what one wants to do, or even to feel satisfied). But not if the pursuit is for extrinsic reasons (e.g., to achieve status or to pursue an acquisitive lifestyle).¹⁶ Interestingly, recent field research using cash rewards found that when cash is spent on time-saving services, such as house cleaning, it leads to “greater life satisfaction and happiness” versus spending the cash reward on a material purchase.¹⁷

Some Incentives Distract

Though well-selected non-cash (and sometime cash) rewards and recognition work to drive performance, they represent a double-edged sword – a particularly dangerous one in the hands of the wrong person. To illustrate, the same incentives as in the simple task above were used in a second task (Figure Three). In this case, the participants in the experiment – the same MIT students who typed the letters – were asked to find the two numbers in the grid that add to ten.

Figure Two: The Distraction Effect

9.38	6.74	8.17
5.15	6.61	3.06
9.71	.91	4.88
3.58	4.87	6.42

Go ahead and try it if you haven’t already.

¹⁵ Anais Thibault-Landry et al (2017). *Why individuals want money is what matters: Using self-determination theory to explain the differential relationship between motives for making money and employee psychological health*. Journal of Motivation & Emotion

¹⁶ Ibid

¹⁷ Ashley Whillans et al (2017) *Buying time promotes happiness*. Harvard Business School

It probably took you no more than a minute or two to solve the problem. It's simple, but you had to concentrate and focus, even think a little. So which group do you think did better on this exercise – the high reward group or the low reward group?

This time, the highly-rewarded group performed worse – 34 percent worse. Why? Poorly considered rewards distract people from their work. Rewards often take people's mind off the problem and on to the reward. And that's fine if you can do the work automatically, like typing two letters over and over repeatedly. But these types of incentives rarely work when the task requires any sort of thought. Countless hundreds of experiments by dozens of researchers demonstrate this phenomenon. It even has a name: The Distraction Effect.¹⁸

So what about non-cash rewards? In truth, the same things would have happened in these experiments had \$300 gift cards, \$300 dining vouchers or \$300 plane tickets been offered. The reward would have distracted because it was applied without much thought. We'll come back to this theme repeatedly throughout the book.

Cash vs. Non-Cash

Now, back to the quote from the IMA. It is correct in pointing out that surveys consistently show that most employees' stated a preference for cash rewards¹⁹ – overwhelmingly so. When 555 sales people we're asked “If you had the opportunity, would you trade in your incentive travel for the equivalent cash?” 95 percent said yes.²⁰ Likewise when 156 well-paid professionals in a semi-conductor factory were offered regular, predictable bonuses of \$25 or a reward worth \$25, 72 percent chose the cash.

The research suggests that most people prefer cash but many experiments may be flawed in the way they present the choice. As above, recent experiments by the IRF suggest that when non-cash rewards are presented well and people are given a broad range of choice between non-cash rewards, they tend to choose a non-cash reward over equivalent cash.²¹

Either way, the IMA's argument against using cash is valid for reasons that have nothing to do with recipient preference. For the great majority of work in the US and in developed nations, cash is rarely the best tool to incentivize or reward. It is the best form of compensation but it usually makes a poor form of reward or recognition.

¹⁸ Mark R Lepper and David Greene, *The Hidden Costs of Reward*, Psychology Press, 2015

¹⁹ Enterprise Engagement Alliance, *Recognition vs. Compensation*. Retrieved from: <http://www.enterpriseengagement.org/articles/content/8289144/recognition-vs-compensation/>

²⁰ Scott Jeffrey, *Behavioral Economics of Incentives*, Monmouth University, 2015

²¹ Charlotte Blank and Allan Schweyer (2017) *The Truth Beneath: A Biometric Analysis of Reward Preference and Choice*. (Working paper not yet published)

To better understand this, look no further than what people select to give for birthdays, holidays or other special occasions. The best gifts almost always recognize the individual in a way that demonstrates a true appreciation of who they are and what is special to them.

Decades of research demonstrates that non-cash rewards are most often a better choice than cash. For example, recent research by the Incentive Marketing Association found that incentive programs using non-cash awards that address all of the key factors required to engage people—clear goals, communication, training, etc.—generate performance improvement of 44 percent in teams and 25 percent in individuals.²²

Non-cash rewards are better at building and reinforcing the social connections between an employee and the organization as opposed to a transactional one.²³ Because of this and for the reasons described in chapter one, carefully selected non-cash rewards – even simple but well-timed thanks – often cause people to perform better than cash rewards; again, because they build bonds and trigger the discretionary effort so vital to success in the 21st century.^{24,25}

In a recent Incentive Research Foundation/ Aberdeen Group study, titled *Incentive Success: Best-In-Class Sales Management*, based on the responses of 245 B2B sales professionals, researchers found that only 45 percent of organizations believe non-cash rewards are important. Yet among the “best-in-class” respondents, 63 believe in non-cash rewards.

In its 2017 “Top Performer” study, the IRF found that the best performing companies are 90, 88 and 81 percent more likely to have non-cash reward programs for sales people, employees and channel partners, respectively.²⁶ The essence of this and other research is that higher performing organizations lean toward non-cash rewards.

²² Rodger Stotz and Bruce Bolger, What is an Incentive Program? Incentive Marketing Association (see:<http://c.ymcdn.com/sites/www.incentivemarketing.org/resource/resmgr/imported/Series1.1,%20What%20is%20an%20Incentive%20Program.pdf>)

²³ Claudio Ayub, *Cash vs. Non-Cash Incentive Programs – What Works Best?* Perks.com, May 2, 2015

²⁴ World Incentives Inc. *Cash vs. Tangible Incentive Program Rewards*. Retrieved from: http://www.worldincentivesinc.com/Industry_Research/Cash%20vs%20Tangible%20Incentives.pdf

²⁵ Michael Silverman, *Non-Financial Recognition: The Most Effective of Rewards?* Institute for Employment Studies, 2004. Retrieved from: <http://www.employment-studies.co.uk/system/files/resources/files/mp4.pdf>

²⁶ Incentive Research Foundation (2017) *The IRF 2017 Top Performer Study*. (see bit.ly/topperformingcompanies)

Why Non-Cash Rewards Usually Work Better

Non-cash rewards usually outperform cash rewards for a few simple reasons, some of which are explained in greater detail below. First, in most societies, people don't talk about cash, it's impolite, even considered crass. So when a deserving employee earns a cash reward, it may be difficult for them to share their success openly. Framing a cancelled check and putting it on a desk might seem tasteless whereas people expect a trophy to be displayed proudly.

Similarly, where a person earns rewards ranging from a dinner out to an exotic trip it is perfectly acceptable to talk about the reward (as opposed to the size of one's bonus, for example). And when employees talk about their rewards, they generate buzz and excitement, creating more value for the organization.

Most importantly, however, well-chosen non-cash rewards can make a far greater impression on the recipient than cash. A cash bonus or reward often gets deposited into an employee's checking account (some organizations even use direct deposit). Though the reward may include a ceremony and recognition, the cash disappears quickly. It is subject to taxation (sometimes at source) then, unless it is a substantial amount, it disappears quickly to pay routine household expenses – utility bills, groceries and the like. Most cash rewards simply don't make as big an impact as non-cash rewards. They are unmemorable to the recipient and to his or her significant others.

To illustrate, consider an organization that uses spot rewards of \$100 checks and a variety of non-cash equivalents to recognize employees on a day-to-day basis. Let's suppose a given employee works the weekend on an important project. On Monday her boss says thank you and gives her a check for \$71 (the rest is withheld against taxes). She deposits it in her checking account where it disappears among the funds she keeps on hand to pay bills. A nice reward but certainly not memorable.

Employee B comes home from work Monday evening and is greeted by her happy partner who is holding a \$100 certificate to a well-regarded local restaurant. Included is a card thanking the employee's partner for putting up with her absence all weekend (for extra impact, it might also explain how important the project was and the contribution the employee made). Though employee B receives a reward of equal value, and even though that reward is far less flexible than cash, it is likely to have much greater impact because it is more thoughtful – it recognizes her *and* her partner's sacrifice. Moreover, because the dinner out is more memorable than depositing a check, positive associations linger for days or weeks, positively impacting the employees' performance.

Don't Forget the Customer

The same reasoning applies to consumer loyalty, referral, and "surprise and delight" programs: non-cash rewards, when selected and presented with the utmost sincerity

in a highly-personalized way have the potential to powerfully reinforce long-term relationships when incorporated into programs that address all elements that engage people. Think of them as a one-to-one, 360-degree “media” for the people most critical to your organization. For the sake of perceived cost-or time-savings, most companies make the mistake of essentially commoditizing consumer incentives, essentially guaranteeing that they get lost in a flurry of coupon offers and other promotions. Organizations should carefully select consumer rewards to distinguish them from mass advertising and promotions in a way that demonstrates a personal regard for each individual and his or her contribution as a customer.

Distinguish Rewards and Recognition From Compensation and Pricing

Despite the evidence in favor of using non-cash over cash in rewards and recognition programs, it still seems at odds with the notion that most people prefer cash. How can a non-cash incentive be effective in driving performance or engagement if, after I tell you I prefer cash, you try to incentivize me with a trophy or other non-cash reward? In fact, in the world of engagement, the reward has nothing to do with compensation or pricing. It is about expressing appreciation for accomplishment or customer engagement in a way that avoids entitlement.

The entire purpose of a non-cash rewards program is to clearly distinguish the program from compensation or pricing concerns with customers, both from the standpoint of creating memories and positive emotions but just as importantly, to ensure that employees, distribution partners, or customers do not come to expect reward and recognition. Once someone expects rewards, they become a form of compensation or price advantage and create disgruntlement when removed.

The goal of reward and recognition programs—as opposed to compensation or pricing—is to highlight exemplary results, behaviors, or actions. Accordingly, more and more organizations utilize so-called “surprise and delight” programs that offer rewards after the fact, rather than dangled as carrots.

Another approach, most appropriate for campaigns with very clear performance goals over a fixed period, is to enable people to select very personal awards they wish to work toward—also known as a wish list.

Don’t Let Rewards Become Entitlements

Too often, incentives and rewards turn into entitlements as customers or employees come to expect them. When organizations fall into the habit of dangling carrots to get their workers to do things or change behaviors, those carrots have to get bigger over time and they have to keep coming because they’re expected – they’ve become entitlements for doing the work, not necessarily for doing the work better. The same occurs with customers in price-based promotions and incentives.

In the case of formal campaigns to achieve specific sales, marketing, or employee performance goals, non-cash rewards can help reduce the risk of rewards addiction because, when offered in properly structured programs, they do not become a de facto component of compensation. Non-cash rewards drive programs that people understand might not exist in the following year.

The use of non-cash rewards in formal engagement campaigns or “surprise and delight” programs ensures that employees, customers and other stakeholders understand the reward has nothing to do with compensation or pricing, and therefore cannot be expected in the future. In the glow of their unexpected non-cash reward, carefully selected to reflect who they are, customers, distribution partners and employees will feel surprised, grateful and even emotional, without the danger of creating entitlements.

The Concept of Engaging Rewards

Perhaps the best evidence of the effectiveness of non-cash rewards is the extent of their use. After all, if cash rewards were as or more effective than non-cash rewards, the art and science of recognition might be far simpler. Cash is easy. It requires little thought, it can be transferred electronically, everyone is certain of its worth and recipients can spend it on whatever they want.

Yet, in the US alone, 84 percent of organizations use non-financial incentives as of 2016.²⁷ This represents more than a three-fold increase from twenty years earlier, in 1996, when only 26% of US organizations used non-cash incentives.²⁸ Today, US organizations spend more than \$100 billion annually on rewards such as travel, watches, trophies and gift cards.²⁹

The terms “engaging reward,” “engaging motivator,” and “engaging incentive” are used to distinguish rewards, incentives and recognition that usually drive engagement from those that focus specifically on providing carrots. It has become indisputable that some rewards and incentives are effective in driving satisfaction (rational fulfillment) and others can accomplish both satisfaction and engagement (emotional fulfillment). A great deal of research in the behavioral sciences and neurology over the past decade or so has confirmed hundreds of years of theory from the fields of psychology and philosophy. Human nature and emotions play an enormous role in determining how we think and decide. Indeed, researchers believe that – contrary to traditional economic and business orthodoxy – emotions drive about 70 percent of our decisions.³⁰ Despite two recent Nobel Prizes in economics

²⁷ Incentive Research Foundation (2017) *2017 Trends Study* (see: www.theirf.org)

²⁸ Ibid

²⁹ Incentive Federation (2016) *Incentive Marketplace Estimate Research Study*

³⁰ Mary C Lampia, Like it or Not, Emotions Will Drive the Decisions You Make Today, Psychology Today, Dec, 2010

awarded to the researchers who “fathered” these ideas,³¹ it sometimes seems as though the only discipline in business that understands emotions and human behavior is marketing.

Good incentive and reward design works with human nature rather than against it. Engaging rewards are those that impact the recipient at an emotional level, create memories and inspire commitment and loyalty. Fundamentally, they must be sincere and appropriate to have sustainable value. Traditional carrots, on the other hand, can offer exciting material rewards (along with the sticks that sometimes go with them to provoke fear) but in the end they diminish performance. Such rewards may boost compliance without addressing any of the reasons people direct their passions to any particular objective.

The Power of Purpose

Non-cash rewards with emotional impact needn’t always offer tangible value. A powerful speech that draws on people’s need for meaning and recognition can even convince people to lay down their lives for a cause. Consider Henry V’s famous (though perhaps apocryphal) speech on the eve of the Battle of Agincourt in France in 1415 (see clip below). The king offered no tangible reward for those who chose to stay and fight and no punishment for anyone who wanted to leave.

Video Clip: Henry V St. Crispin’s Day Speech



<https://www.youtube.com/watch?v=s1Ulz-Qwnx8>

³¹ Daniel Kahneman, 2002; Richard Thaler, 2017

If 1415 is a little remote and Kenneth Branagh isn't convincing enough, consider the speech Colonel Joshua Chamberlain, made to a group of soldiers who were caught planning to desert on the eve of the Gettysburg battle in 1863 during the US Civil War. The deserters were condemned to be shot but Chamberlain first gave them a rousing speech about the importance of the war and the forthcoming battle. He told them they were free to go. Everyone stayed though Chamberlain offered no tangible reward. The next day, the rebel charge to outflank the Union army was stopped at Little Round Top by the "deserters" (a Maine regiment). When their ammunition ran out, Chamberlain's men fought with their fists and bayonets, and possibly changed the course of history.³²

Autonomy and Purpose

Other exceedingly powerful intangible rewards include the granting of autonomy and freedom to experiment. Consider Adam Grant, a management professor at Wharton School of Business who wanted to help increase donations to the university's scholarship fund.

Money was raised in a call center. What Grant saw was a repetitive, draining job, with lots of rejection. No autonomy or experimentation was allowed, employees just stuck to the script and dialed for dollars. Call center reps earned a small base and larger bonuses based on call volume and sales.

So Grant invited a scholarship recipient into the call center to talk to one shift of reps about the impact their work had on his career and life. The scholarship recipient's talk lasted 5 minutes. The other reps on the other shifts didn't attend. Grant's shift was also given latitude to stray from the script and spend as much time as they needed with each potential donor. Grant came back one month later and looked at the results.

On average, the reps who got the talk spent twice as many minutes on the phone with prospects. They also brought in a lot more money: a weekly average of \$503, up from \$186. Grant's shift had been given two very powerful forms of non-cash reward: purpose (the impact of their work was made real by meeting a benefactor) and autonomy, the freedom to do their jobs the best way they saw fit and treat their customers (potential donors) with the care and attention needed, regardless of how long calls lasted.

Grant and others have repeated variations of this experiment many times. The results are consistent. Rewards do not replace the importance of autonomy, learning, communication, or sense of purpose. Poorly paid call center representatives respond to human nature as do highly paid knowledge workers. For those whose employees

³² For video clip see: https://www.youtube.com/watch?v=2d2_zeITJcw. For historical reference, see: <http://www.ushistory.org/us/33g.asp>

are highly educated specialists doing complex work, it is even more important to motivate and engage thoughtfully. Cash is easy, non-cash rewards, especially those tapping purpose, mastery and autonomy, take a little more thought.

The same can apply with customers. Most people are surprised and delighted when any company shows a genuine interest in hearing and possibly implementing their ideas.

Rewards based purely on cash or extrinsic motivators that are not managed properly can lead to a Hobbesian culture where each individual only cares about what he or she gets. You can't blame them if your incentives and rewards are used as blunt instruments. As above, reward systems run the risk of focusing employees more on what they need to do to gain the carrot than on what they should do to satisfy the customers in front of them or to work better with team mates.

Modern-Day Recognition

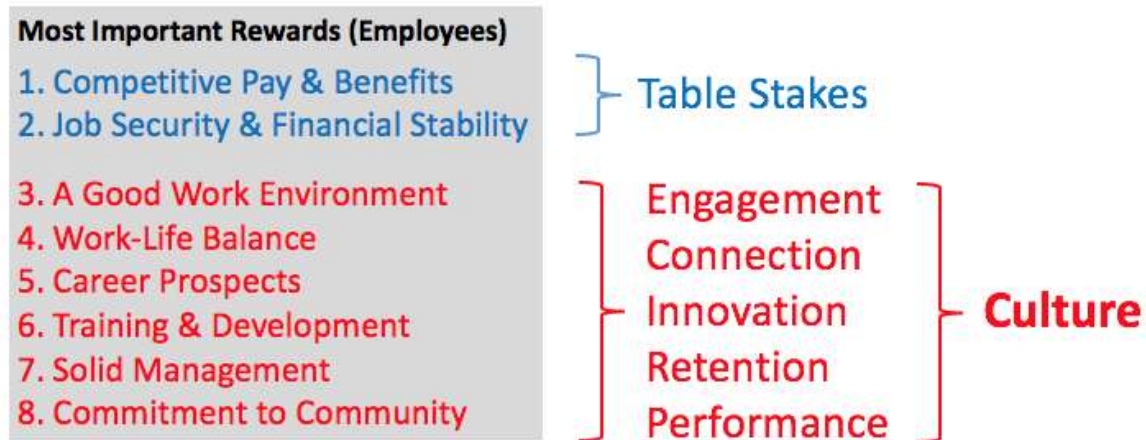
The transformation for incentives designers looks like this:

- First, consider compensation and financial benefits as mere table stakes in the competition for top talent and partners.
- Competitive salary and benefits simply drive what people are expected to do at work, their core jobs,
- But now we need employees and partner talent to do more. Things that are outside the job description or contract.
- To get the extra-contractual, discretionary effort we need from employees and partners – their whole selves, including their ideas, their good citizenship and their advocacy, we have to appeal to them as whole people.

We can't expect to build the relationships we need through transactions. Money can't buy you love, but neither can non-cash rewards used as carrots.

Consider the list in Figure 4. These are the things employees tell us they want, summarized from global surveys over the past five years. These are the Motivators, the items in red drive engagement and they add up to culture.

Figure 4: The Role of IRR in 21st Century Business



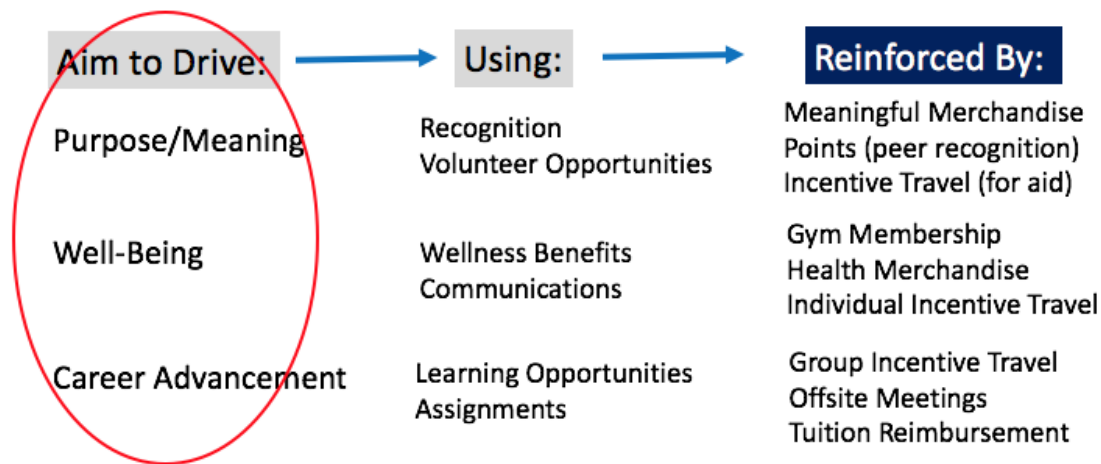
The best talent goes to the great places to work. In addition to competitive pay and benefits, talented people want responsibility, autonomy, room to learn and grow and they want to work in purposeful firms. All summed up, they're looking for organizations that have attractive cultures.

Your work as an incentives designer is in helping to build a powerful culture that drives higher performance and better business outcomes. Now, more than ever, non-cash programs and rewards reinforce the motivators and behaviors that develop a strong culture.

You can't focus on the rewards themselves though. Aim instead at the main motivators – purpose & meaning, well-being and career advancement, for example. Then think about the broad drivers, such as recognition, wellness benefits and learning opportunities to fuel those broad motivators.

Separate the specific reward from the motivator to avoid the perceived or actual use of rewards as manipulators. Instead, rewards should be used as tools to support and reinforce the drivers and motivators (see Figure 5)

Figure 5: Tangible, Non-Cash Rewards in the New Economy



For example, it has become common practice to use tangible reward points in peer-to-peer recognition programs. The points enhance what is first and foremost a program to strengthen the culture using a recognition program. This is a proven example of tangible rewards playing a supporting role in driving a much bigger, indirect objective, in this case, to build purpose and meaning through a culture of recognition.

IBM uses incentive travel rewards to get a person to a community where they can join in volunteer aid projects. This program, the Corporate Services Corp. is IBM's most popular and successful high-performer reward program. It also leverages merchandise gifts that employees give to members of the community in need. Again, the rewards reinforce the purpose and meaning of IBM's program. They are used in the context of something much larger and memorable, not as carrots.

Non-cash tangible rewards play a vital but supporting role and should never come off as transactional or coercive in any way.

Keep your focus on the intrinsic motivators and the key results that ultimately affect the company's performance. The most important factor of all is customer engagement. Effective reward plans never take their eyes off customers.

Ramping Up Recognition

Praise, recognition and appreciation are critical to human happiness. Effective teachers, managers and parents know that recognition and praise are among the most powerful motivational tools at their disposal. Consistent findings from research provide indisputable evidence of the causal links between recognition, engagement, performance and profit.³³

³³ Allan Schweyer, *The Economics of Engagement*, Enterprise Engagement Alliance, 2012

Indeed, almost a decade ago Gallup analyzed data from interviews and surveys involving more than 10 million workers and concluded that variations in recognition and praise account for 10-20 percent differences in productivity among employees and revenue, as well as in customer engagement.³⁴

Organizations shouldn't question the impact of recognition on engagement any longer. Today's workers are intelligent, diverse, informed, internet-savvy and connected. The current formula for motivation and engagement is dynamic and depends on what the organization is trying to accomplish, as well as the makeup of the people the organization is trying to influence. There is no one recipe, except that the need for recognition is universal and every organization needs to build a culture of recognition.

Decades of research have made a very strong case for enterprise-wide recognition programs. Recognition should be used to reinforce specific behaviors that are both measurable and subjective. This is a skill that should be taught to all managers as it is vital to employee engagement.

Traditionally, recognition was used with employees to highlight length of service, attendance, safety, and retirement. Today, it is increasingly being used to promote the employee behaviors that lead to customer satisfaction and organizational success, and to reward customers, distribution partners, employees, and even vendors.

Peer-to-Peer and Social Recognition

Peer-to-peer recognition can be a powerful force in driving a sustainable recognition culture in organizations. Yet the majority of organizations – even those with formal recognition programs – don't always incorporate the notion of employees recognizing other employees. According to Bersin & Associate's *State of Employee Recognition* research, the top reason employees don't recognize each other is simply because there's no established way to provide recognition in most firms. In other words, there's no barrier to peer-to-peer recognition from a willingness or attitudinal perspective – employees *want* to recognize each other, they just don't have the tools to do so, at least not formally.

Organizations can overcome this barrier by implementing simple systems that allow employees to recognize colleagues' work and contributions or those specific behaviors that lead to successful outcomes. Corporate Social Network (CSN) platforms, social recognition technologies or add-ons to intranets are relatively simple tools that enable recognition through short statements, the awarding of points and/or by telling stories on social walls about what a colleague did that merits

34 - Rodd Wagner and James Harter, "12: *The Elements of Great Managing*", Gallup, 2006

recognition. Over time, these statements, awards and stories grow to become part of the foundation and legacy of a recognition culture

Social Recognition software can increase the frequency of appreciation and also provide guidelines to employees on when and how to recognize each others' contributions. The tools allow for varying levels of sharing, so that some recognition can remain private, some limited to a team and some shared enterprise-wide, even with customers, partners and other constituents of the extended enterprise. Combined with a cascading or SMART goals program, the software may be equipped to align recognition with performance management. Most software will also include useful analytics and reporting tools to help organizations gauge progress and make adjustments.

As traditional job roles are being reframed, enabling a more modern, collaborative work culture that reflects the way people function in their interconnected, networked world, next-generation solutions must support a combination of social recognition, media and collaborative tools that allow professionals to:

- Recognize contributions
- Inspire performance and drive value-adding activities
- Reinforce behaviors and organizational culture
- Showcase achievements and provide public validation
- Foster collaboration, conversation and recognition
- Find people, information or expertise more quickly
- Foster knowledge sharing
- Widen personal networks, build relationships, and raise individual visibility
- Identify subject matter experts (SMEs)
- Build meaningful relationships across a widely distributed workforce
- Support Communities of Practice (groups of people with domain expertise)
- Extend corporate knowledge
- Invite peers into a personalized group

In essence, a social recognition solution should function as an enabler and an accelerator of existing core capabilities, values, attributes and strategic plans. This is a far cry from the notion of recognition as a five-year anniversary or retirement reward.

Even beyond today's social recognition tools that focus on employees, there are additional competitive advantages for organizations that extend recognition to other critical stakeholders. Customers, partners (including resellers), suppliers and even volunteers (where applicable) are crucial to an organization's success and should be recognized.

A social recognition strategy should include a means for capturing and sharing recognition to and from the extended enterprise. In the same way that recognition drives employee engagement, recognition (to and from) stakeholders will drive enterprise-wide engagement. Foundational transformation around the culture and people of the organization – including its customers, partners and suppliers – is essential to sustained success. As the pace of business change accelerates and the world becomes more interconnected, the agility and responsiveness of the extended enterprise will be a firm's most critical competitive advantage. Social networks and their recognition components are key pieces in the integrity of the *connected* extended enterprise.

A Culture of Recognition

That a culture of recognition is a prime advantage in driving engagement is taken for granted by most leaders today and is nothing new. The hurdle has always been achieving that culture within a broader workforce culture that has long emphasized bottom-line results, short-term goals and rewards for individual achievement. Managers and supervisors are constantly told about the importance of recognition and engagement, yet they're rarely held accountable or rewarded for it directly. The lessons from successful public social networks are there for all to see. They have succeeded, in part, based on people's need for appreciation and their enthusiasm for recognizing each other.

The same lessons apply inside organizations. Today, the power of recognition is opening up and is in fact being driven by employees. However, as the research indicates, the main obstacle to social recognition is the lack of an official means for employees to recognize each other in the great majority of organizations. Social recognition software and tools offer a simple, affordable solution.

The opportunity now is to better connect all of an organization's communities—customers, distribution partners, sales and non-sales employees, vendors, and neighbors, etc.—around a simple understanding and expectation of what it stands for.

Organizations are in a constant state of organic flux and need to constantly adapt to accommodate performance objectives. Social recognition and its further evolution will bring a new layer of sophistication to employee and "extended enterprise" interactions with vendors, customers and communities that will transcend the one-dimensional approach of many existing rewards and recognition programs.



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Chapter 3: Applications for Non-Cash Rewards

Non-cash rewards can be applied in any circumstance where cash might be used, other than compensation. They are most effective when carefully selected with the recipient in mind as well as his or her specific relationship with the organization. While there are some different considerations based on the audience as outlined below, what all have in common is the need to utilize rewards much as an organization would select a media in advertising, and then weave them into a formal message and program that addresses all of the levers of engagement in a way clearly distinguished from compensation and pricing issues.

Non-Sales Employees

Rewards are most effective when carefully selected by a person close to the reward earner and connected to a clear organizational value or behavior. Again, consider the case of an employee receiving \$100 cash (with a thank you) versus a \$100 restaurant voucher (sent how with a thank you to the employee and her spouse).

Cash works at a rational level but it is not an engaging reward. As above, it will be absorbed into daily spending on everyday things. The restaurant voucher, on the other hand, is an engaging reward because it delivers both at a rational and emotional level. The reward is tangible, it has market value, and it impacts emotionally due to the way it was presented and, most likely, for the good memories it creates. It reinforces recognition, purpose and meaning by involving the employees' spouse as a beneficiary. It supports wellness by promoting a pleasant, non-work experience. And it wasn't dangled in front of the employee as an incentive to work overtime, it was given afterward, as a token of appreciation.

In the case of sales programs, the return on investment is often quite tangible. Returns from programs involving non-sales employees, can be made tangible too, if tied to clear team or individual performance goals and behaviors that support organizational values—e.g., the actions that support the fundamental brand proposition. Intangibles are now the most valuable part of our economy but if we can't articulate their benefits in incentive programs in a compelling and convincing way, leaders might reject the idea.

Today fewer than half of organizations attempt to measure the intangible value of their programs at all.³⁵ Of those that do, the most common measurement is to benchmark employee engagement or satisfaction scores before a program begins and then measure again during and after to assess the change. If engagement scores go up, the incentive program is credited with at least some of the gains.

³⁵ Incentive Research Foundation (2017) *2017 Trends Study* (see: www.theirf.org)

This is a good measure but according to the IRF's 2017 Outlook Study, less than half of organizations are doing it. Another important intangible value in incentive programs is the extent to which they drive more learning and product knowledge. Only about one-quarter of firms try to measure improvements in learning and product knowledge from their incentive programs., despite recent field research demonstrating the positive effect non-cash rewards can have in driving learning.³⁶

As the share of incentives and rewards moves further to non-cash and the aim of these programs begins to include softer, intangible actions and behaviors, new measures are needed. Some organizations measure changes in innovation, including idea and knowledge-sharing, others measure impact on honesty, using theft and expense claim reporting data. The eNPS (employee net promoter score) which measures the percentage of the workforce that would recommend the organization as a place to work is growing in use.

Others look at social media sites to gauge the strength of the employer brand. Some measure change in access to learning resources using data from Learning Management Systems and the spread of the recognition culture itself, as measured through change in activity in peer-to-peer recognition platforms. These and many other measures bring a new dimension of understanding of intangible value when added to an assessment of Return on Investment.

Non-cash rewards range enormously in type, from movie tickets to exotic travel. Experiential rewards, like travel, are almost always engaging rewards because they are memorable and they impact at an emotional level. However, as we've seen, a restaurant coupon can also be an engaging reward, and, based on the way it is selected and presented, so can any other merchandise.

Sales Employees

Consider solutions salesperson, Dave, who has greatly exceeded his six-month quota and signed on several new, long-term customers for his software company. He earns a base salary of \$90,000 + benefits and a substantial commission, that in most years, more than doubles his base. He is amply rewarded for his efforts, at least at a rational level. Commissions are a form of entitlement. If I sell, you pay. They are also the ultimate if/then reward.

Many organizations make the mistake of incentivizing their salespeople with more cash over and above commissions. For example, Dave's sales manager might run a sales contest with a prize of \$2,500 for whoever makes the most sales in a quarter.

³⁶ Khim Kelly, Adam Presslee & Alan Webb (2017). *The Effects of Tangible Rewards Versus Cash Rewards in Consecutive Sales Tournaments: A Field Experiment*. Forthcoming in the journal: *The Accounting Review* (Vol 92, No. 6, 2017)

This approach creates a little buzz and excitement (remember, \$2,500 isn't a game changer to members of this sales team). But consider an alternative. Suppose Dave isn't expecting a reward on top of his salary and commissions. Suppose, his manager gathered the sales team in the conference room and recognized everyone for a great quarter, and especially Dave for not only leading sales in the quarter but for achieving his personal best six months with the team.

To celebrate, the team sits down with pizza and popcorn to watch an all-time favorite movie, *Boiler Room*, on a brand new 65 inch 4k, UDH flat screen TV. They can laugh comfortably at the plight of the sales team in the movie because sales is a well-respected, ethical and appreciated component of their organization. After the movie, the sales manager announces that the TV is being sent to Dave's house and installed there in appreciation of his accomplishments. The team applauds and Dave basks in the glory. He is touched. He'll never forget this day. \$2,500 would have disappeared into his checking account, and it would have been dwarfed by his commission check anyway, making it even less memorable. The TV and the party, which together also cost \$2,500, is an engaging reward because it was delivered with deep thought.

Consider too a recent field experiment involving 54 retailers (part of a North American home furnishings chain) selling specialty area rugs. The researchers ran two consecutive three-month sales incentive contests over a 6-month period. A sales-instruction (training) video was made available to all subjects. Winners (the top ~40% in each contest) won about \$200 each per contest.

- Median sales results in the second contest were significantly better among those incentivized and rewarded with gift cards than cash. There was no significant difference in the first sales contest.
- Tangible reward eligible contest one underperformers (i.e., contest losers) did significantly better in the second contest than cash eligible contest one underperformers. This supports the theory that tangible rewards generate greater perseverance and more sustained effort.
- Subjects in the tangible reward group used the training video twice as much as those in the cash group.³⁷

Never lose sight of the fact that the way in which a reward is given can have just as much of an effect on a person as the reward itself. As professor Haim Mano of the University of Missouri says: *"The reward should act as a trophy, it is more psychological than just the prize, it is pride. And it's not only how much the reward is worth but how you present it. The moment you make it an entitlement you lose the impact. Give people rewards after the thing they achieved rather than as an incentive to*

³⁷ Ibid

achieve. Also be sure to calibrate the reward to the person's income. As long as they are in the right income category, employees are happier with a reward experience – a trip, for example – than the money. Remember though, the trip to Hawaii doesn't solve my issues if I am a minimum wage employee.”³⁸

Consumer Loyalty, Referral, and Surprise and Delight Programs

Many companies offer rewards to customers for frequency of purchase, for making referrals, or, increasingly, for nothing in particular. “Surprise and Delight” awards are offered on a spontaneous basis based on whatever behavior an organization wishes to award after the fact, not as part of a program promising a reward for any action.

Most companies offering rewards to customers utilize their own products and services, primarily because it costs less, is simpler, and because they assume the customer already likes the product or service. The research suggests that this approach – at least in some cases – creates a false sense of savings, because the use of your own product or service may not only come at the cost of a sale, but, more significantly, it minimizes the long-term emotional impact of the reward by confounding it with what they already buy.

The main reason for using carefully selected rewards other than those offered by your company is to make sure that people feel sincerely appreciated for their contribution and that the reward clearly stands out in a way that will be shared with friends and significant others. This explains why many financial institutions and many other companies continue to use rewards other than their own products.

When engaged customers are rewarded with gifts that demonstrate a sincere understanding of who they are, presented in the way one would present a gift at a special occasion of any kind, the long-term result is not only more social media action, but an emotional bond that contributes to the “wow” factor necessary for true customer action on your behalf.

Distribution Partner Programs

Independent wholesalers, installation and service companies, and small retailers have tough businesses with sometimes tight profit margins, so they particularly appreciate rewards for engagement not only for the owners and management but for their own employees.

This explains the prevalence of non-cash rewards such as merchandise, gift cards, and travel for distributor programs. These programs have the greatest impact when they reflect an understanding of the business of each company and the individuals receiving the reward. The research indicates that it is not only critical to reward

³⁸ Author interview with Haim Mano, January, 2016

distributors in ways that give them the opportunity for enrichment, fun, or a simple pleasure, but also provide the tools enabling them to achieve the reward.

Many organizations shy away from these programs because of publicized abuses often associated with not-for-profit or government organizations. That is because these programs, as well as cash, can be used inappropriately as bribes, and because of widespread ignorance of the efficacy of these reward and recognition programs when used in overall performance improvement efforts.

An Enterprise Approach

Organizations will achieve the best results when the entire firm commits to standards of *enterprise* engagement and engaging practices, and when engagement best practices are applied to relationships with employees, customers, vendors, partners, volunteers, investors and other stakeholders.

The traditional organization creates a wide management gulf between customers and distribution partners on the one hand, and sales and other employees on the other, each often managed by its own executives, management team and staff whose main aim is to focus on the needs of their particular audience. This is most apparent in traditional marketing, where the brand proposition almost always focuses on a promise to the customer, not to the organization's entire community.

Research has identified a fundamental link between an organization's different communities that is often overlooked at many organizations. Enterprise engagement seeks to remedy this problem by aligning the interests of all constituents in the organization under one vision and shared values and goals, in order to increase the likelihood that expectations will be met consistently.

This applies even to the use of rewards. Organizations such as Mary Kay Cosmetics have demonstrated that rewards, when properly and sincerely used, become a branding, relationship building media that can help define what the organization is trying to accomplish. In the case of Mary Kay Cosmetics, it's to provide an avenue for people to accomplish their dreams.

Understanding the interrelationships between audiences is a key leadership competency. Few will become expert on the finer points of using incentives and rewards to engage all of an organization's audiences, after all, one can easily build an entire career as a specialist for any single audience, external or internal. Generally speaking, organizations will continue to require experts to reward and engage specific audiences. But every leader and employee should commit to the fundamentals of new economy, integrated incentive and reward design when dealing with internal and external partners and stakeholders.

Solid, well-managed organizations with good products and/or services, who deliver what they promise to customers will likely survive in today's highly competitive and volatile marketplace. But organizations that do those things *and* build engaged constituencies with their stakeholders, will stand apart. They will dominate their industries in the long term. (See video clip below).

Video Clip: Building Stakeholder Constituencies



<http://books.simonandschuster.com/The-Power-of-Co-Creation/Venkat-Ramaswamy/9781439181041>

VELOCITYB2B

A DIVISION OF *cashstar*



Velocity B2B launched in October 2016 as an independent business unit of CashStar (now a Blackhawk Network business) to provide merchants with comprehensive services for B2B gift card program management. While there are companies that do pieces of what Velocity B2B does, the company offers end-to-end program management. By combining its extensive expertise with technology-driven operations, industry-leading security compliance and risk indemnification, it is able to help brands maximize their revenue within the \$26-plus billion B2B gift card market. It acts as a seamless extension of the client's team and brand, enabling their internal gift card and marketing teams to focus on their consumer gifting programs. The Velocity B2B team delivers end-to-end business-to-business gift card program management services, while the client maintains oversight and brand control. Its team of experienced gift card professionals develops an individualized gift card strategy for each brand, starting by assessing each brand's opportunity, identifying resource and gap analysis, and taking into account business management.

Once the program scope is determined, it handles sales and marketing of the program, including value proposition and alignment, management and execution, and partner management. In addition, Velocity B2B takes care of the order desk, systems, plastic fulfillment services and process management. It also handles all payment processing, billing and collections, and settlement and reporting. All this is done in a way that mitigates risk and ensures compliance. As it plans for the future, we'll continue incorporating feedback from our customers and design new offerings based on those needs.

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Chapter 4: Best Practices for the Use of Incentives, Rewards and Recognition

The last decade or more of research has provided organizations with a better roadmap for determining best practices for use of rewards and recognition programs. Given that recent estimates put spending on non-cash rewards in the range of \$100 billion (in the US alone), it pays for organizations to apply the findings of the research to achieve more measurable results.³⁹

While many of the principles directed at distinguishing rewards and recognition from pricing and compensation issues apply to audiences across the enterprise, there are some points of differentiation dictated by the nature of the relationship.

The great majority of workers worldwide today – certainly those in advanced economies – use their heads more than their hands. For these workers, engagement usually requires tapping into their natural, human needs to learn, create and improve. This doesn't mean, however, that cash is always an ineffective motivator. Most people, if offered \$10,000 cash to work the weekend doing something they hate, like cleaning out a dank and dusty basement, they'll do it, assuming they're capable.

Similarly, if the boss intimates that anyone who refuses to work all weekend on an urgent project might face career-limiting consequences, they'll likely do it. Carrots and sticks of this sort motivate. Unfortunately, rather than inspiring higher performance, they erode it. The job gets done, but usually quite poorly and resentment grows.

Rather than use rewards and recognition as stand-alone, blunt instruments, incorporate them into broader engagement programs that change from quarter to quarter or year to year based on the specific goals your organization or department seeks to achieve. Identify your goals and objectives, and use rewards and recognition to support and nudge people in the right direction toward achieving them..

Similarly, for customers and distribution partners, the best results, are achieved when rewards and recognition are clearly distinguished from compensation and are used as a component of programs that encourage desired behaviors.

The Right Way to Reward and Recognize

As above, successful organizations tend to recognize their employees, distribution partners, and customers more often. Recognition, in fact, is so vital that nearly 80% of employees who quit their jobs do so mainly because of a lack of appreciation.⁴⁰

³⁹ Incentive Research Foundation (2017) *2017 Trends Study* (see: www.theirf.org)

⁴⁰ Adrian Gostick and Chester Elton, *The Carrot Principle*, Free Press, 2007

Again, cash should not be confused with a rewards and recognition: Cash bonuses of less than \$1,000 are spent quickly – usually on bills – and just as quickly forgotten. A sincere pat on the back with dinner for two at a good restaurant, or a well-timed, carefully selected merchandise reward with a personal message will be more memorable.⁴¹

Sometimes Engagement is the Wrong Choice

Arguably, some firms may be better served by maintaining transactional relationships with their employees, customers and other stakeholders, than by using engaging incentives, rewards, and recognition. Engagement is difficult to build and sustain, and once an organization shifts from a transactional approach to emotional engagement, it is very difficult and painful to turn back.

Consider Susan, her small company produces and sells industrial-quality outdoor spotlights. She runs a lean operation but she pays her employees competitively. She also pays cash bonuses every year, just before Christmas, based on a share of profits. Susan's firm delivers her lights to her resellers and corporate customers on time. When goods are damaged in shipment, Susan always replaces them quickly and at no cost. Her business is doing well and is growing a little bit each year.

Financially, Susan is living well but she's a busy mother of three school-aged children. Her husband is on disability and requires care. Her aging parents suffer various ailments and draw on her time as well. The last thing Susan needs or wants right now are "relationships" with her employees and customers. All she can handle are transactions. With her employees she tolerates little drama, "you work, I pay." And with customers, there's no bonding over beers at the 19th hole, it's "I deliver, you pay."

For many of us, what Susan has is good enough. If you fall into that category, the best course of action may be to stay there. Cash rewards work adequately for transactional businesses that want to remain transactional businesses.

But Susan has always wanted to do more. Her chance comes when her parents decide to move into an assisted care community in Florida. Serendipitously, her husband's latest operation has put a real bounce back in his step. Susan suddenly has more time on her hands. She reads the latest management literature and decides to start an enterprise engagement program. She resets expectations with her workforce, her suppliers, her resellers and her customers.

It's hard at first to convert her employees, after all, behind her back, she's known as "the Ice Queen." But gradually, they come around and start to believe in this "new" boss. Things begin to improve after an initial dip in productivity. Employees seem

⁴¹ Ibid

happier, turnover and absenteeism drop, and the firm becomes more productive than ever. It's a lot of work for Susan but she enjoys walking the halls and the factory floor, thanking employees regularly, giving specific praise, even asking about family members. She regularly hands out thoughtful gifts and public recognition after a person does something exceptionally well.

Susan's visits to customer and reseller locations, including dinners with customer executives are time-consuming, but she enjoys them and they are paying off. The new line of motion-sensitive and camera-equipped spotlights she's developing (an innovation sparked by a newly engaged employee) are receiving sizeable pre-orders, and one of her suppliers has agreed to carry her line exclusively. Another employee has approached her with an idea for networked lights that use artificial intelligence to modulate brightness and conserve energy. The brand is starting to differentiate itself on quality and innovation – the company's future has never looked so good.

Even Susan's suppliers are more engaged now that she's spent time listening to their concerns and ideas. Her commitment to pay her invoices in full within 30 days has proven particularly popular given the industry average of 60 days. Suppliers have reciprocated with deeper discounts than were ever available in the past, and she's received thoughtful gifts from several that have been a big hit back home.

Fast-forward two years and Susan is looking back at the fastest growth the company has ever experienced – despite an 18-month long recession that knocked several of her competitors on their backs. New ideas from employees and even a few from suppliers and customers resulted in new products, leaner production, more sales and larger margins. Moreover, she treasures her relationships with her employees and stakeholders, a few have even become real friends.

Of course, circumstances could change again for Susan, her parents' health will eventually take a turn for the worse and she will want to spend more time with them. One of her children could rebel and drop out of school, or her husband's back problems could return and immobilize him. But now, after building an engaged culture and reaping the benefits, Susan can afford an executive or senior manager who fits the culture and to whom Susan can transition some of her work.

The moral of the story is that transactional relationships that revolve around payments and if/then type cash incentives and rewards can and do work. The problem is they leave a lot on the table in terms of cash and well-being and they leave organizations vulnerable. As above, a transactional company will rarely, if ever lead its industry, it will rarely inspire innovation and creativity, it will have more difficulty retaining its top talent (unless it pays extravagantly) its customers will be less forgiving of mistakes and more price sensitive, and it will be at greater risk whenever markets are in turmoil.

Emotion

Brain science has come a long way in recent years. Neurologists are now able to see how the brain controls emotion, what happens when various parts of the brain are shut down and what parts of the brain light up or shut down when we're doing or experiencing various things. In essence, the science shows that we operate mostly on emotion.⁴²

Gallup, which stands above other organizations in the depth and breadth of its research into the drivers of engagement, has found the same thing. Indeed, according to Jim Clifton, its Chairman and CEO, "*decision making is generally 70% emotional and 30% rational.*"⁴³ Over the decades, Gallup has come to a very solid (if intuitively obvious) conclusion about what makes people connect to each other, an employer, a seller or a community. In studying customers across industries, it found that those who are emotionally engaged are far more valuable than those who are rationally engaged.

For example, if you have a customer who has experienced nothing but professional service, competitive prices, high-quality and responsiveness in their dealings with you, congratulations; you're very likely to have a rationally satisfied customer. If, on the other hand, you have a customer who deeply identifies with your products, services, people or brand – even if they pay more and even if they occasionally experience poor quality and bad service – you likely have an emotionally engaged customer. The latter are the most likely to become ambassadors for your organization.

Despite experiencing the same (or worse) treatment than a rationally-satisfied customer, an emotionally engaged customer is far more likely to remain loyal and spend more money with you over time.⁴⁴

This runs completely counter to the discipline of classical economics, which is based on the assumption that consumers act rationally. But where classical economics gets it wrong is that people very often *do not* act rationally; they act on emotion and they never *engage* on a rational basis. They only engage on an emotional level.⁴⁵

Think about your own behaviors. If you always act rationally, you'll always buy the lowest cost car in the category you want with the longest and best warranty. Some manufacturers go after that market, but many others – especially the luxury brands – succeed in winning your business with carefully crafted messages that resonate with

⁴² Paul Herr, *Primal Management*, Amacom, 2009

⁴³ Jim Clifton, *The Coming Jobs War*, Simon & Schuster, 2011

⁴⁴ - John H. Fleming and Jim Apslund, *Human Sigma*, Gallup Press, 2007

⁴⁵ Richard Thaler (2009) *Nudge: Improving Decisions About Health, Wealth, and Happiness*. Penguin

you emotionally, that tap your aspirations and make you want to be identified with that brand. The very same thing applies to employees. We must earn their *emotional* commitment, make them *want* to stay, perform well and see the organization succeed.

People tend to act on emotion and later, rationalize their actions with logic. For example, despite owning a perfectly serviceable phone, I go out and purchase the latest iPhone. I “need” it because its design, branding and status appeal to me on several emotional levels. Later, when buyer’s remorse sets in, I make myself feel better by selectively finding good reviews and high ratings for the phone (while tending to ignore negative reviews and ratings or evidence that other, cheaper phones are at least as good).

“It is increasingly important to understand both how we view the world, come to judgments and make decisions. We are not nearly as rational or systematic as we think we are. We often see things as we want them to be, not as they are. The influences of triggers, context, framing, overconfidence, system 1 and 2 thinking, and many unseen factors have a direct impact on our decisions and behaviors. It is important first to understand these influencers and then to ameliorate the incorrect and biased actions.”

– Dave Forman, author of Fearless HR

Why We Work

People engage at work for several key reasons. First, they must be compensated competitively and feel secure in their jobs. With those issues aside, leaders should allow employees autonomy in their work – to experiment and do things their way. They should support employees in their learning and career aspirations, and make sure they feel connected with peers, customers and stakeholders. Employers should also emphasize the larger purpose and meaning of the work beyond profits or shareholder returns.

As above, people also perform in high pressure high prestige and high pay environments. These are powerful motivators, but when they are the main drivers of a person’s efforts, they tend to diminish performance. For example, managers and leaders often ratchet up the pressure and stress levels when an urgent job has to get done. This is often accompanied by incentives, perhaps a bonus for getting the job done on time. This sort of pressure causes people to work harder as it is intended to. It works, and in some cases, it’s even appropriate. The common phrase “we need to create a sense of urgency around here!” is an example. For organizations that haven’t invested in autonomy, mastery and purpose, intense pressure and cash incentives may be the only available tools.

Such organizations, however, may be caught in what only *appears* to be a positive cycle of high energy. Working to a fast-approaching deadline might briefly substitute for purpose. The adrenaline rush and thrill of working as a team to get it done might energize people, but not in the long-term. A start-up that promises instant wealth after a few years of 80 hour weeks might motivate some people (these days, only the highly gullible) to sacrifice, but there are limits and the potential reward has to be enormous. Like drug addicts, organizations that rely on money and pressure to motivate, must constantly ramp up the pressure and the rewards to get the same results. And like drug addicts, there is rarely anything but one ending to the story – collapse under the weight of employee burnout, absenteeism and high attrition.

Pressure motivates people to do things they don't really want to do; but it doesn't cause them to do those things well. You might stay in a job because it confers high status, for example. The pressure of maintaining your standing in the eyes of your spouse, family, colleagues and community is extremely powerful, but corrosive. Ask yourself, whether you would rather have employees who work and engage through intrinsic motivation, or employees who are motivated by the money? If you're still confused ask yourself if you'd rather have a heart surgeon who is driven by learning and helping people or one who was attracted to the profession because it pays well and comes with high prestige?

Money, including salaries, bonuses and other cash and cash equivalent incentives or rewards motivate people to perform, just not at their best. Even recognition, where no tangible reward is offered can be a negative. When a person strives to do something just to earn recognition, and not for positive reasons, (e.g., to learn, to serve a higher purpose, or to experiment) they tend to underperform because there is no emotional factor. Other things being equal, a distance runner who practices marathons dreaming of a ribbon and mention in the local newspaper is no match for one who is driven to improve his or her personal best, or to bring awareness to a cause larger than herself.

Of course, you can't run a business without economic incentives, recognition and rewards but you should combine them with other motivators to drive higher performance.

From Worst to First

Organizations leverage the power of emotion through engagement. Doing so, leaders can take underperforming – or even the worst performing employees – and turn them into superstars. Consider General Motors, who in the early eighties operated a plant in Fremont, California. Though GM at the time was notorious for producing defective vehicles, its Fremont plant really stood out; it was the worst performing factory in the GM system, rife with defects, absenteeism, drug abuse, grievances and outright violence.

The Fremont plant was so bad, in fact, that GM shut it down in 1981. Three years later, Toyota teamed up with GM to re-open the plant. They re-named it “NUMMI” (New United Motor Manufacturing Inc.) and, due to strict union rules, they brought back almost all of the workers GM laid off three years earlier. With essentially the same workforce as before, Toyota turned the plant in to the best in the GM system in less than twenty-four months. Indeed, the plant’s productivity rivaled Toyota’s very best plant in Japan within three years of its reopening. How? Toyota applied its culture of human motivation and emphasized the performance enhancing and sustainable motivators – autonomy, competence, connectedness and purpose.⁴⁶

Why Customers Engage

Gallup and other research has found that general customer satisfaction is not sufficient to retain customers or turn them into brand ambassadors: its research has found that customers have to be “wowed” to truly engage. Very few organizations have achieved “wow” experiences consistently with discounts and promotions alone. Extensive research and common sense dictate that people who feel emotionally connected to an organization will do more to help it.

Total Motivation (TOMO)

Think of the highest performing organizations you know and chances are companies like Apple, Starbucks, and Southwestern Airlines come to mind. Each appears on Fortune’s most admired companies list in 2017 but they have another thing in common as well. They have high “Total Motivation (TOMO)” scores.

The TOMO, developed by Neel Doshi and Lindsay McGregor of Vegafactor Consulting (and as described in their NY Times Bestseller: *Primed to Perform*), allows you to measure your company culture by applying the total motivation factor survey (available at www.primedtoperform.com) that you can administer across your work force.

Your results will land somewhere between 100 and -100. The more your people do their jobs because of the direct motivators – things like work enjoyment and purpose – the higher your score. The more they do their jobs due to indirect motivators – pressure, prestige, money and tangible rewards, for example – the lower your score. The same survey and calculation works for athletes, students, and even marriages. In study after study, the higher an organization’s TOMO, the more likely it will stay together, stay in business, and thrive.

Communication/Buzz

Engagement and the rewards that drive it require communication. There are many tools to assist in achieving engagement, but none so important – and in today’s world so complicated – as communication.

⁴⁶ Ben Gomes-Casseres, NUMMI: *What Toyota Learned and GM Didn’t*, Harvard Business Review, Sept, 2009

And when an organization aspires to enterprise engagement (company-wide and including all stakeholders) it takes the importance and need of communications several degrees further, both in scope and quality. At its heart, engagement is about relationships and connections. Leaders know that communication – conversations, feedback, recognition – is the fuel for relationship-building and trust.

For better or for worse, communication options have changed. We have tremendous choice today in the medium for our messages – email, phone, tweets, text, video, TV, radio, “snail mail,” social media networks (both corporate sponsored and public), face-to-face and so on – which makes our choice of media not only more difficult, but also creates confusion around what to communicate through each of the channels.

In the “good ole days” communication was simple: Limited choices in channels; limited choices on what the message might include; limited choices in how the message should be formatted. But “The single biggest problem with communication,” as George Bernard Shaw so perceptively pointed out in his day, was “the illusion that it has taken place.”

Shaw’s words resonate even more today. Communication is less of a channel than an ecosystem. The most successful organizations will capitalize on their ability to create emotional “memes”, make them accessible and interactive within their target audience, and then leverage their audience’s ability to spread the word exponentially, driving higher levels of brand/company engagement.⁴⁷

There are multiple ways to format, send and track your message – knowing who received it and what they did with the information. But communication is no longer a controlled experience. Your audience has as much power – and in many cases more power – than you do. Through their individual social networks, good news and bad can go viral quickly if not addressed immediately. Therefore, monitoring mentions of your brand, company and products is critical in creating a true engagement process in your communications plan.

This part of the communications activity is much more ad hoc and free form. It’s not driven by a schedule, but rather by what your audience wants and needs. If you see a post on twitter saying good things about your brand, thank the poster in that medium. If you see negative things, find a way to solve the problem. If you see questions that people are regularly asking, be proactive about getting the information out. Don’t ignore posts; social networks embolden everyone, and your lack of attention will likely be noted in multiple tweets and Facebook posts.

⁴⁷ Oliver Lockett & Michael J. Casey (2016) *The Social Organism: A Radical Understanding of Social Media to Transform Your Business and Life*. Hachette Books

Pay as much attention to your employer brand as your consumer brand. In a 2017 analysis of Glassdoor (a social media employer rating site) data using a random sampling of 340 large employers, a stark difference in job-ad click through rates was revealed for companies with low Glassdoor ratings (a good proxy for the strength of an employer brand) and those with good and excellent ratings. Companies with ratings of 3.5 or higher attract 45 percent more candidates than those with ratings of 2.5 or lower.⁴⁸ Moreover, organizations with positive employer brands enjoy significantly higher employee retention, higher engagement scores and dramatically lower recruiting costs. Your employer and consumer brands should work in concert to enhance and protect the reputation of your firm.⁴⁹

Communication is two-way, engaged and interactive. Take the time to outline your communication needs, and understand the various options available and how you might connect one, two or three different mediums together to create greater understanding and engagement with your message. Your brand presents a critical challenge and opportunity in today's ever-more-crowded communications space.

Though more complicated, it is also more important than ever to look at your communication strategy as a key linchpin in your engagement strategy rather than an afterthought. Remember: *How* you communicate will determine *if* you communicate.

Learning

Few rewards are as powerful, motivating and beneficial to both engagement and organizational performance as learning which satisfies the human need for mastery and competence. Year after year, in surveys by leading consulting firms and research groups, learning and career advancement are rated at or near the top of the most motivating benefits provided by organizations to employees and channel partners. In BlessingWhite's *2013 Employee Engagement Research Update*, and Willis Towers Watson's Global Talent Management and Rewards survey, for example, the lead reason employees gave for joining and leaving organizations was opportunities for career advancement. Learning was also among the most critical drivers of attraction and retention in both surveys.^{50 51}

Organizations often overlook the importance of engagement in developing and disseminating their training or learning materials. At the same time, they overlook the impact of training and learning as an incentive and reward when implementing any type of engagement effort for customers, retailers, distributors and vendors.

⁴⁸ Allan Schweyer (2017) *The Evolving Role of Talent Acquisition Teams in Employer Branding*, Appcast

⁴⁹ Ibid

⁵⁰ BlessingWhite, *Employee Engagement Research Update*, January 2013, p.10

⁵¹ Willis Towers Watson (2016) *Global Talent Management and Rewards Survey*.

If people aren't capable of doing what's asked of them, no incentive will make the difference except perhaps to drive some to cheat. The drive to learn and invent is one of the four essential motivators in Nitin Nohria and Paul Lawrence's groundbreaking book *Driven* (2002). It is also among the three drivers of Edward Deci and Richard Ryan's seminal Self-Determination Theory (SDT), which, arguably, provides the foundation for all motivational theory since the mid-1970s.⁵²

Organizations can tap into the *drive to learn and invent* by activating the pleasures of pursuing curiosity and the incredible power of people's intrinsic motivation to learn. This drive is particularly important considering that technological change is accelerating and all companies need to keep up.

Put Everybody on the Research and Development Team

One way for executives to enhance innovation is to reward employees, distribution partners, customers, and even vendors with permission to explore, experiment and innovate as is done with tremendous success in organizations ranging from Google, GE and Amazon to W.L. Gore & Associates and even components of the military.⁵³ For example, tell the workforce that ideas are wanted and appreciated and that everyone is part of the research and development department. Here is how Lawrence and Nohria describe the innovation-enabled workplace.

Jobs are clearly more satisfying if they provide an opportunity to fulfill the drive to learn. This insight is at the heart of the success of the Quality Movement, which encourages problem solving by workers to improve quality and productivity. As Jack Welch, the much admired CEO of General Electric, put it, "When workers were given a real opportunity to contribute their ideas about how to improve productivity, what we found was they didn't have just a small number of ideas. Almost 100% of the ideas that we have implemented that have led to enormous productivity gains we have seen have come from our workers."

⁵⁴

Few would argue that learning is a critical component of engagement at all levels and for all stakeholders. It is, for many, the most important element in employee engagement, and is becoming essential in customer engagement wherever sophisticated products or services are offered. Learning can generate interest in organizations' latest ideas and/or offerings and can be used to shape corporate reputations at the community, national and international levels. But learning is broad and learning opportunities surround everyone during every waking hour.

⁵² See: <http://selfdeterminationtheory.org/theory/>

⁵³ Michael Abrashoff (2002) *It's Your Ship: Management Techniques from the Best Damn Ship in the Navy*

⁵⁴ Paul Herr and Allan Schwyer, *Behavioral Economics and Incentives, Reward and Recognition*, Incentive research Foundation, 2016

View learning opportunities as a reward. Make the content compelling, not only must it be good in the traditional sense – accurate, valuable, expert – it must engage learners emotionally. Unfortunately, even the most brilliant ideas and concepts can be lost if they fail to engage. Use techniques perfected by storytellers, gamers and other creative disciplines to powerfully tap the emotions of your target audiences and engage them in your material.

Corporate Social Responsibility

For most organizations today – whether a small business sponsoring a local soccer team, a law firm donating pro-bono services, or a multinational corporation contributing to education efforts in poor countries – community involvement has become essential to the development of a positive brand image, as well as in recruiting and retaining top talent. In the U.S. alone, giving exceeds \$300 billion each year.⁵⁵

Corporate involvement in improving communities and societies has a long history. In the U.S., industrialists such as Henry Ford, John D. Rockefeller, Andrew Carnegie and others built institutions of learning and foundations that are still contributing to the betterment of society today – in some cases more than a century after they were founded.

Dating back as far as the 1970s, however, the focus and practice of corporate philanthropy has been in a state of flux. The practice of corporate foundations funding worthy proposals by writing checks alone has evolved into a more active and, it is hoped, more sustainable, form of giving.

Today, corporate philanthropy and volunteerism is often referred to under the blanket term Corporate Social Responsibility (CSR), emphasizing the linkage of community needs with business values to produce sustainability. In other words, where corporate giving and volunteering is integrated – benefiting both the community *and* the employer – it is more likely to continue and grow than if money were merely handed out in support of good causes.

But Corporate Social Responsibility encompasses a broader strategy of giving centered on engagement. CSR initiatives aim to engage the community so the organization is viewed in a positive light, and to engage employees, who want to “do good” and be associated with a company that gives back. CSR also engages customers and consumers who want to support responsible companies and be associated with positive brands.

⁵⁵ See: <http://www.american.com/archive/2008/march-april-magazine-contents/a-nation-of-givers>

There is little doubt that tremendous value can be created when an organization's business goals and strategy are linked to (and integrated with) community priorities, including social welfare (human and animal), jobs, growth, education, the environment and goals such as community health, safety and improved educational performance.

Clearly, the incentive, reward and recognition tactics used in corporate volunteerism and physical community engagement are sensitive. But many organizations, including Google and IBM reward their employees with opportunities to volunteer and give back. CSR and volunteering – used as incentives and rewards – should follow these best practices:

- Communities and volunteers, no matter who they are or where they are, must be engaged at an emotional level.
- Organizations must develop integrated, organization-wide strategies to align their efforts with their values and goals and to ensure consistency across all divisions of the organization and across all mediums in which the brand is being promoted.
- Community and Volunteer engagement, whether physical or online, is intertwined with customer, employee and other stakeholder engagement. Efforts in one or the other are profoundly less successful if they're not enveloped within a broader Enterprise Engagement strategy.



Pulse Experiential Travel is focused on unique packages and experiences that people can't easily create on their own. "Our packages often are dictated by the creativity of our customers or their participants," says company founder Marc Matthews. "Often, we can turn one of these highly customized programs into a package that we can then offer to others. If you look in our catalog, we have a very robust selection, from basic experiences to golf and ski packages, wine tours, food festivals, hunting and fishing, Oscars, Grammys, major big sporting events, etc.

Participants can book a hotel bungalow above a tropical lagoon, take cooking classes on the Amalfi Coast and have once in a lifetime experiences they'll never forget." Organizations use Pulse Experiential Travel's packages for everything from traditional incentive, recognition and loyalty programs to promotions, length-of-service awards, recognition, ad hoc rewards and business gifts. The company offers what Matthews calls a "concierge service." People never have to call an airline, hotel, or venue.

Pulse's customer service desk handles everything, and can be reached by travelers 24/7 from anywhere around the world to help resolve an issue. It "white labels" the participant gift package and redemption websites so that its brand remains invisible, and can also create branded redemption micro-sites for specific clients. "The second someone redeems their voucher, he or she can begin planning their experience," explains Matthews. "Our fulfillment is all based on the philosophy that we have to make everything memorable – even the booking experience."

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Chapter 5: How To Make Rewards Engaging (or Not)

The design of incentives and rewards is extremely challenging. Governments, companies and institutions of all stripes have been practicing the art for centuries, yet there is still no simple guide to creating foolproof rewards and incentives.

Incentives and rewards work better or worse depending on numerous conditions and circumstances. As we've seen, when researchers offer substantial cash rewards to subjects to perform simple rote tasks, like typing two letters on a keyboard repeatedly, those subjects outperform others who get less or no reward. However, when subjects have to do complex tasks, even just simple addition, for example, the group promised the large reward significantly underperforms (see experiments in Chapter 2 above).

As described by the Distraction Effect experiment, ill-conceived and poorly designed incentives often take people's minds off the work and on to the reward. The concept of crowding out suggests that rewards can diminish, or "crowd out" our natural or intrinsic desire to do things. Even smart, capable people tend to perform worse, on average, when distracted by a significant reward. They choke. As above, just ask yourself whether you'd prefer to elect a person who pursues his career for the money and prestige or one who does so for the love of the craft and the noble purpose.

When researchers offered one group of subjects a reward for stopping a stopwatch at five seconds and another group no reward for doing the same thing, the no reward group stayed engaged in the challenge even during breaks – practicing with their stopwatches. The reward group practiced only half as much. Dozens of similar experiments, including the sales contest research referred to in Chapter 3, yield the same results, causing some researchers to label it, the "cancellation effect," in which the reward cancels intrinsic reasons for doing something.⁵⁶

When a reward cancels interest in the challenge, people focus only on the reward, resulting in weaker performance. Worse, when people lose their positive motivation for doing things and do them mostly for pay or to avoid a negative consequence, they often focus their creativity and smarts not on the challenge, but on gaming the system.

As above, many, and probably most organizations still use carrots and sticks to drive workers to perform. Workers, in turn, find shortcuts to obtain the reward (or avoid the punishment) rather than focus on the behaviors the incentive was designed to

⁵⁶ Neel Doshi and Lindsay McGregor, *Primed to Perform*, Harper Business, 2015, Loc. 971

encourage. For example, in the face of pressure to drive quarterly sales, sales people often use harmful tactics to cope, including deep discounts at the end of the quarter, high pressure sales tactics, inflated promises, and so on.

Researchers call this "The Cobra Effect," based on a story involving the British government's efforts in Delhi in the 1800s to eradicate cobras from the city. Responding to the government's bounty for dead cobras, many Indians went out on the streets to hunt them, just as the British intended. But many others gamed the system. They took to raising cobras, so they could kill them, turn them in, and get a reward. As the story goes, the British spent a lot of money before they caught on, and after they did, the Indians (being no fans of their British overlords) simply released the cobras, creating a bigger problem than existed before the incentive was offered. The story may be apocryphal but it illustrates an all too common problem, one that has caused or contributed to catastrophes ranging from Enron's demise to the financial crisis of 2008.

A "Total Rewards" Approach

Organizations design the best possible incentive and reward programs by viewing them as tools within the organization's total compensation and performance management systems. In most cases pay-for-performance and other old-style incentive schemes will damage the total motivation of the workforce or distract them from those behaviors that will make the most difference for your organization. And as above, bonuses can cause workers to focus on the reward instead of the work and coerce good people into gaming the system or even sabotaging colleagues.

Instead, use non-cash rewards and recognition to reinforce the powerful motivators shared by most modern employees, partners and customers. As author Simon Sinek put it in his bestseller, *Start with Why*, "*People don't buy what you do; they buy why you do it. And what you do simply proves what you believe.*" Whether customers, employees, partners or other stakeholders, the big motivators are purpose, meaning, connection, learning & advancement, autonomy, wellness and well-being, and giving back. Not money, trips and giant screen TVs.

Tangible rewards have a place but if you take one message away from this book, let it be this: When rewards are used *after* a person does something exceptional, and when they are used to *reinforce* recognition, they play an important role in supporting the big motivators. If they are used *as* the motivator, and dangled like a carrot to coerce a person into doing something, their effect is diminished. Over time the impact of the reward is, at best, lost; at worst the incentive is gamed and its intent twisted such that unintended consequences follow.

Program Design – Linking The Reward With Measurable Outcomes

Another important principle in designing effective rewards and incentives is to align them to the behaviors you want and the culture you hope to build or protect, and then measure the outcomes. Figure 6 below is a snapshot of the relationship between the big motivators, the rewards, and how to measure them. It is incomplete but provides examples based on the universal motivator of purpose and meaning.

Figure 6: Measuring the Rewards that Support the Motivators

Aim to Drive:	Using:	Reinforced By:	Measured Through Change In:
Purpose/Meaning	Recognition Volunteer Opportunities	Meaningful Merchandise Points (peer recognition) Incentive Travel	- Engagement / Satisfaction - Performance/Productivity - Citizenship Behavior (idea & info sharing, inclusion, collaboration, honesty) - eNPS, brand sentiment, employee referral - Use of eLearning/Product information knowledge - Amount recognition (e.g. peer-to-peer)

To develop an effective reward strategy for your organization, build a link between performance requirements and rewards. What results do you want your company to attain? Which activities or behaviors do you want to encourage? Some measures are tangible – increased sales and revenues, new customers, growth in market share and even reduced attrition, for example. But increasingly, intangible measures are of at least equal importance. How do your reward programs impact employee engagement? How do they affect your brand? Do they drive the types of citizenship behaviors among your employees that build a strong culture and separate you from the pack? How can you translate those behaviors and other intangibles into results that can be measured and reported? These are technical questions, and they are crucial, but keep in mind that you are building this reward strategy for living, breathing human beings.

Consider Wegmans, which has earned a spot in the hundred best companies to work for list in 2017 and in years past.⁵⁷ Despite competing in a tough business with razor thin margins, and despite many copycat grocers emerging in the past decade or so, Wegmans outperforms the competition year after year. It does so through

⁵⁷ See: <http://fortune.com/best-companies/list/>

commitment to a culture of motivation aligned to human nature and human drives – engaging motivators and rewards, in other words.

Like Wegmans, Whole Foods has been a near perpetual “best company to work for” over the past two decades. It operates its stores and teams as near fully autonomous groups, responsible for everything from selecting employees to deciding what goes on the store shelves.⁵⁸ As a best practice, the company reinforces this philosophy through its compensation practices, employee rewards and recognition, and promotion criteria that are also strongly team based. Everything is linked to how well the team does, not the person. Reinforcing the culture with rewards and recognition means Whole Foods employees select their teammates very carefully; hard workers win over friends.⁵⁹

Southwest’s compensation program also has a remarkable recognition incentive built into it. Working groups in the service, maintenance, and support sectors are not overshadowed. In fact, when a group performs at a consistently high level, its name is painted on the side of an aircraft and remains there for one year.⁶⁰

Southwest’s managers are responsible for creating effective reward and recognition programs. As part of this responsibility, managers are expected to vary their rewards constantly and use them to surprise and delight so that being rewarded doesn’t become a routine experience, nor an entitlement. With this unique compensation system in place it is unlikely that flying Southwest Airlines will ever become a routine experience.⁶¹

Reward Selection – Demonstrating a Clear Understanding of the Audience in Award Selection

Significant progress has been made in recent years in terms of how managers can better understand the environment in which they operate, and thereby better interpret the most powerfully motivating strategies for their organizations.

For example, a survey conducted by the Forum for People Performance Management and Measurement shares details on the most popular motivational tactics used in a rewards and recognition context. Among the many compelling findings:

- Non-cash motivators are viewed as superior to cash for “less tangible, morale-improving outcomes such as creating positive internal ‘buzz’ and improving

⁵⁸ Charles Fishman, *Whole Foods is All Teams*, Fast Company Magazine, April, 1998

⁵⁹ Tamara J Erickson and Lynda Gratton, *What it Means to Work Here*, Harvard Business Review, March 2007

⁶⁰ Thomas B. Wilson, *Rewards That Drive High Performance*, AMACOM, 1999

⁶¹ Ibid

- teamwork.” In fact, non-cash programs are viewed as more effective for 9 of the 10 organizational objectives that were studied.
- Cash, conversely, is typically more effective when it is offered as part of repeatable programs tied to compensation.
 - Employee surveys are the most common of the measurement tools used to evaluate the impact of rewards and recognition programs, but measuring performance results is equally important. The key point here is that measurement is critical to ensuring that the organization is succeeding in its motivation efforts.⁶²

Other researchers echo these findings. Todd Manas and Michael Graham, the authors of *Creating a Total Rewards Strategy*, studied the eight chief causes of employee turnover. The top seven of these involved the lack of application in such areas as learning new skills, coaching, feedback and satisfying work. Actual compensation ranked eighth.

In evaluating the outcomes further, the authors determined that non-cash rewards are the only real way to differentiate your employment offerings. Cash will always be a commodity; it's the intangibles that will distinguish your company from the competition.

Measuring the benefits from non-cash IRR programs is also critical. In 2017, the Incentive Research Foundation conducted a meta-analysis into reward measurement focused on non-cash rewards and intangible *value*, as opposed to financial returns and tangible ROI. The study concluded that the intangible value of IRR programs increasingly exceeds that of their hard, financial returns. Yet these benefits go unmeasured and un-reported because fewer than half of organizations perform any measurement of intangible, non-financial value whatsoever.⁶³

Customization and Delivery: One Size Does Not Fit All

At the same time, we're gaining a better understanding of the relative strengths of individual motivational tools and the need to understand shifts in the environment in which those tools are being applied. We have clearly evolved from the days of “one-size-fits-all” workplace strategies to a place where customization and individualized rewards programs are both philosophically and statistically linked with people, productivity and profits.

For example, there is a fairly dramatic shift occurring in the workplace that can be attributed in large part to generational composition. The younger generations (GenX,

⁶² See: www.enterpriseengagement.org/articles/content/8288878/match-employee-awards-to-specific-organizational-objectives-for-optimal-success/

⁶³ Allan Schweyer (2018) *The Value and Measurement of Intangible Rewards and Incentives*. Incentive Research Foundation (Working paper and working title, Pending publication)

Millennials) are adding a new set of motivators to the list, including training and development, the opportunity to be mentored, corporate social responsibility and an employer's willingness to be flexible in how, where and when they do their job.

Given this, demographics and generational preferences become critical indicators in assessing what's most likely to influence engagement among employees, customers, vendors and other constituencies. Organizations whose "mix" still reflects the biases and preferences of Baby Boomers – a generation moving rapidly towards retirement – are at serious risk of becoming dinosaurs in the realm of engagement.

The Incentive Research Foundation's meta-analysis of dozens of research studies on non-cash rewards referred to above, found that non-cash rewards have the greatest impact when they focus on reinforcing communication, creating positive emotions, recognizing the role of significant others in the lives of people, encouraging fun and strategically differentiating rewards from compensation or discounts and rebates in a way that addresses intrinsic and not just extrinsic motivators.

On this basis, non-cash rewards such as travel, merchandise and gift cards work best when they:

- Reflect the organization's appreciation culture through careful selection or choice;
- Possess high perceived value;
- Come with some kind of personal thanks from management – the more personal the better;
- Get delivered in person or to the home with a personal, meaningful note customized to support the organization's brand;
- Create the opportunity for lasting memories and emotions associated with the organization;
- Provide experiences with their significant others either on their own or with others in the organization to create shared memories;
- Are available to people at all levels in the organization or tiers of customers based on transparent opportunities.⁶⁴

Response Mechanisms

Research on motivation indicates that rewards and recognition address several of the critical psychological factors related to motivation and engagement.

According to the study *Rewards, Incentives and Workforce Motivation* conducted by the International Society for Performance Improvement and funded by the Incentive Research Foundation, employees generally respond positively to the following workplace factors:

⁶⁴ Ibid

- **Support.** Do employees feel that the organization values their work? Do they feel that their actions will be noticed and that management cares about their accomplishments? Properly structured rewards and recognition systems specifically convey organizational support for employee initiatives.
- **Task value.** Employees will work more productively when they understand that the labor they perform has a value to the organization. This is often more difficult to convey when lower-level jobs are involved. A program recognizing the performance of employees at all levels often makes work feel more meaningful to them.
- **Capability.** Most companies understand that employees will work more effectively if they feel able to do a task and see progress along the way. Rewards and recognition programs often work in conjunction with training by rewarding people for completing training, demonstrating their knowledge, or achieving milestones along the way toward a larger goal. This helps to enhance the learning process and reinforce the value of knowledge within the organization.
- **Communication.** People work more productively when they have a clear sense of their organization's mission and how their function relates to overall business objectives. Rewards and recognition programs help communicate the actions valued by the organization and increase the chance that people will perform those actions that have an impact on achieving the organization's goals.

Once you've gotten a fix on the environment, demographics and "triggers" of your various constituencies, you can then determine the right mix for a specific organization or situation. Into the mix of total rewards are compensation (salary), benefits and bonuses as well as dozens of other tangible and intangible rewards, ranging from training to greater autonomy, purposeful assignments, volunteer opportunities, flexible work, and well selected merchandise, travel and other experiences and rewards.

Web-Based Programs

Regardless of the channel used, every engagement initiative needs a home base where your audience can access anything they need. Your program website is the one constant for all audience members, including external stakeholders. This is increasingly known as an engagement portal.

While the way in which information is received and/or broadcast can vary (and it should), you need to create and maintain a home base, where all of the levers of engagement for each program can be addressed. That includes information about each program, whether it be a sales, marketing, distribution, employee or other initiative, news and useful information, how-to articles if appropriate, profiles of

winners; surveys or tests, the ability to track performance points and earn points for contributing how-to contact or other useful information through the portal. Design the website with logical and clear navigation, easy-to-find customer service information, links to other useful resources and social media pages and accounts.

Your engagement portal should also be home to rewards programs. Internal programs might include peer-to-peer recognition and reward programs, for example. External web-based reward programs could include points programs for customers, or surveys that external stakeholders can complete in return for rewards that might be fulfilled directly from the site. YouGov, for example, provides survey-takers with a password-protected portal to track their surveys and reward points, as well as a means to redeem the points for rewards ranging from iPad Minis to foreign travel (See Figure Seven). The ability to put all of your organization's activity on a single portal creates unprecedented analytics based on actual behaviors.

Figure Seven: Surveys, Points & Rewards

YouGov: What the world thinks.

YouGov is a global market research and data company built on a simple idea: The more people participate in the decisions made by the institutions that serve them, the better those decisions will be.



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DISCOVER

Adrienne Forrest, Vice President of Bulova's Corporate Sales division, cites a greater appreciation for the reward experience (and not just the reward) and a growing body of research on the scientific use of rewards as positive trends in the business of recognition. She is particularly pleased with industry research demonstrating the importance of how rewards are presented, customized and delivered in terms of impact on recipients, and she believes Bulova's unique portfolio of time pieces, connecting its 142 years of tradition and innovation with cutting-edge design and its ability to customize both the time pieces and gift boxes to maximize the impact, provide Bulova with a competitive advantage in a time when authenticity carries more weight.

Forrest says that Bulova is also committed to innovation, noting that last year the company launched the Curv collection, featuring the world's first curved chronograph movement. In keeping with its vision of combining tradition with today's fashions, Bulova has brought back Rubaiyat, the name for its first-ever woman's timepiece in 1917. The company has also created an experiential program for events. "Bulova has focused on the meeting planner market for several years," says Forrest. "Bulova is the perfect choice for this growing business segment in that its various brands and price points work with any budget or style requirement. Bulova offers various options to planners. We can also offer sizing of the watches onsite for added excitement."

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Chapter 6: Types of Non-Cash Rewards and Their Application

As explained throughout the preceding chapters, non-cash rewards vary as far and wide as the imagination allows. Some of the most effective include nothing tangible at all. The Big Four universal drivers, or “human universals,”⁶⁵ that map loosely to self-determination theory – autonomy, competence, connectedness and purpose –or, if you prefer, the similar universal drives that Nitin Nohria and Paul Lawrence describe in their Four Drive Theory – the drive to Acquire, Bond, Learn and Defend – generate engagement far beyond anything that a cash or tangible noncash reward can achieve on its own.

Nevertheless, as argued above, rewards support and reinforce universal human motivators. A simple, sincere thank you from a respected colleague or leader can have significant value in its impact on the drive to connect, demonstrate competency, and to bond, for example. However, it is also often appropriate and enormously beneficial to organizations to recognize employees, customers and stakeholders with *tangible* rewards. Tangible rewards get the best results when used as part of formal programs or campaigns and are selected thoughtfully, in alignment with human nature and all of the drivers of engagement and performance.

Merchandise Rewards

Merchandise rewards range from TV sets to toasters and everything in between. For thousands of years, organizations have rewarded loyal customers and high performing employees with merchandise.

Children collect labels on cereal boxes, popsicle sticks and soda caps and then redeem them for merchandise prizes, and consumers of all ages collect points for many, if not most of the purchases they make. Similarly, many organizations award employees points that can be redeemed for merchandise from catalogues.

Even at their most basic, merchandise rewards offer at least some advantage over cash. Reward earners can choose merchandise they like, for example, a gift that they might not otherwise buy for themselves – an indulgence.

In that merchandise programs tend to give people permission to indulge themselves (versus cash rewards that are often seen as money that should go into the checking account to pay bills) they can create lasting memories, goodwill and positive associations. While most programs give people access to a wide choice of awards, research suggests that the best way to distinguish from compensation and to

⁶⁵ Pinker quotes Donald Brown, from his book “Human Universals.” See: https://en.wikipedia.org/wiki/The_Blank_Slate

“surprise and delight” is to try to tailor reward selections as closely as possible to the organizational culture, the program, and to each individual so that they reflect an understanding of who they are and their role in the organization.

For example, when an employee, who also happens to be an avid bicyclist, achieves a milestone and is then surprised with highly coveted merchandise, or a gift card related to cycling, they will remember the recognition and appreciation for a long time and will talk about it with their colleagues. Recognizing someone with merchandise *after* they perform (again not offering it beforehand *if* they perform) cements the recognition and drives the powerful motivators of belonging (because you demonstrated knowledge of that person’s interests) and competence (because you recognized their skills and achievement).

As noted above, some programs enable people to create wish lists they can work towards based on their performance or loyalty. In other cases, specific rewards are chosen for each employee or group of employees, rewards that reinforce the values and culture of the team or organization.

Equally important, and often overlooked, is presentation. Many merchandise rewards are selected by the reward earner, shipped and received with little or no fanfare at all. Reward designers should take the opportunity to customize the box or envelope and include a personal message inside, or even to present the award in front of the team. Many wholesalers make it easy to do this now and at prices often below retail.

The key, as in the example above, is to find ways to personalize the reward as much as possible, and to clearly separate it from compensation or pricing, so that it becomes seared in the recipient’s memory, is shared with colleagues and significant others, and becomes known in your community as a genuine mark of distinction and appreciation.

Incentive designers who follow the principles and best practices described in the preceding chapters will no doubt find that merchandise rewards can be effective in driving performance and engagement when the extra effort is given to distinguish them from compensation. Thoughtfully-selected and personally presented merchandise or gift card rewards can create an emotional imprint, but mostly in how they are chosen, presented and delivered within the broader design of the program in which they are offered.

A majority of current rewards and recognition programs overlook this true potential to maximize engagement by being selected and delivered in an impersonal way that becomes, in effect, another form of cash. Again, a supervisor who spends time with and develops real relationships with her team members is likely to learn about their

interests outside of work. Maybe one of her team members is an enthusiastic gardener and another loves woodworking. When one of these employees does something extraordinary, the supervisor might thank them, maybe at the end of a meeting, for example. Along with the thank you, a gift card from a supplier of rare heirloom plants and seeds for the gardener, and a new beveling tool for the woodworker, would very likely make a more lasting impact than points redeemable in a retail catalog. These rewards will certainly have more impact than if the supervisor had bribed her employees with the merchandise in trying to get them to do their work faster, cheaper or better.

Moreover, if the supervisor were even more thoughtful (and had the authority), she might connect the gardener's reward with something work-related, for example, a two-hour-a-week assignment to the company wellness program to create a corporate garden. The woodworker might be given a few days off under the company's CSR program to teach woodworking to youth at the local Boys and Girls Club. In both cases, the reward aligns to the powerful drivers of competency and purpose, and as such, they are intrinsically motivating. This approach builds a level of engagement that translates into higher productivity, more ingenuity, the ability to attract talent efficiently, and much more.

Experience-Based Merchandise Rewards

For emotional appeal, experiences usually outperform cash or "things." But the gift of merchandise can also include experiences. For the gardener above, a visit to the supplier of heirloom plants and seeds to pick up her reward and speak with the owner, might boost the reward's value a great deal (provided the supplier is close and the employee can go on company time).

Where a person earns a merchandise award of high-end sunglasses or a watch, for example, the company might include a special onsite "fitting" in which the recipient gets to try on the range of sunglasses offered and select the pair best suited to his face type or other preferences. A lover of craft beers might be awarded a trip to the local distillery for a tour and a case to take home. A high-potential employee chosen for a leader development program providing aid in a developing nation (e.g., IBM's Global Services Corps) might be given merchandise to give to villagers. Combining merchandise with an experience increases the impact of the reward and creates associated memories. Your goal is to get beyond the material reward itself to create an experience people will never forget. One they will long associate with your organization.

Gift Cards

Gift cards range from cash-equivalent gift cards to highly specific vouchers or cards for precise products or experiences.

Depending on how they are selected and presented, gift cards (or prepaid cards) can range from an almost perfect substitute for cash, to something more like a well-selected merchandise or experiential reward. An open gift card of any denomination is, for all intents and purposes, the same as a check or cash, which comes perilously close to compensation. Nonetheless, gift cards rival cash as one of the most popular gifts to give and receive. Regardless of the type, gift cards are much more popular than cash⁶⁶ – perhaps because recipients have to spend the gift card on something for themselves, triggering the pleasure of self-indulgence. The key once again is to figure out how to select and present gift cards in the most personal way so that they do not become confused with cash and become entitlements over time.

In a 2013 study, the Incentive Research Foundation reported that 44 percent of survey respondents identified gift cards as their favorite type of gift or reward, including cash, merchandise and travel. The report stated: *“When offered a prepaid card or equivalent cash, seven times as many of our respondents chose the prepaid card. The majority of incentive planners believe prepaid cards can be more meaningful, personal and impactful than cash; almost half believe that, dollar for dollar, they are the most effective reward available.”*⁶⁷

What this means is that people can be motivated by non-cash awards that let them enjoy themselves and feel personally enriched.

Incentive Travel

Organizations’ use of travel to incentivize key stakeholders – employees, partners, resellers and customers is an established practice stretching back decades. Incentive travel has long been considered among the reward tactics that yield the highest return on investment with the longest-term impact

Not Only for Employees

Incentive travel can be utilized in conjunction with channel partners to further increase the engagement of top producers. An incentive design house in Madison, Wisconsin, for example, serves several incentive travel clients who utilize their programs to leverage face-to-face time with channel partners and earners during the program. One technology client, for example, asks its channel partners from various technology providers to sponsor a portion of the cost of the group incentive travel program. The sponsors then schedule special activities, and/or off-site dinners to invite the top re-sellers of their products to participate in this special VIP experience.

Initially the client simply paid for people to go on a trip to a beach resort and then let participants schedule their own experiences while there. No face time was scheduled among the group with the exception of a closing dinner. With the help of experienced incentive travel designers, the firm was able to revamp the experience in such a way that participants still had their free time, but could also choose to spend time with various channel partners during their stay. Participants are also formally recognized for their achievements at a final dinner.

The program has grown substantially as a result of the redesign. Channel partners now fund a larger part of the overall cost, resulting in much higher ROI’s for the company and their sponsor partners. The participants now enjoy more activities and meals that are covered, and the number of nights provided for the program have increased, allowing a longer get away for the participants.

There is a far greater engagement level among the participants, the senior staff and the channel partners as a result of the attention to program design.

⁶⁶ Allan Schweyer, It’s in the Cards, Incentive Research Foundation, 2013.

⁶⁷ Ibid.

on participant performance and engagement.⁶⁸

The appeal of well-designed incentive travel appears to be increasing as both consumers and high performers seek tailored experiences over commodity goods aimed at the mass market. The Incentive Research Foundation has found that incentive travel generates hard dollar returns of \$4 for every \$1 spent.⁶⁹ No doubt, carefully designed reward travel can have a high impact on communications, learning, productivity and relationships that endure long after the program ends, which puts them in a separate category in terms of engagement. That said, price points make them appropriate mostly for top-tier awards.

Travel takes people out of their routine and forces them to deal with the unfamiliar. It is often a renewing and revitalizing experience that can boost productivity and health, reduce stress and increase engagement and creativity for months to follow. Remarkable experiences impact people at an emotional level, allowing lasting memories to form – memories that participants often associate with the organization that provided them the experience. Cash, on the other hand, might be used for mundane, everyday purposes. If so, it will be appreciated at a rational, transactional level, but never at an emotional level (Figure 8).

Figure 8: A Picture Paints a Thousand Words When Comparing Cash to Experiential Rewards



Vs.



⁶⁸ Incentive Research Foundation; *At Last, A Real Way to Measure ROI: Determining the Return on Investment of Incentive Travel Programs*, 2001; and *ROI Incentive Programs: Driving People, Driving Profits*, Donna Oldenburg, Incentive Marketing Association, 2002.

⁶⁹ *Return on Investment of U.S. Business Travel*, Oxford Economics, 2009

No Single Reward or Reward Type Works Best For All

As always, the key to engaging stakeholders through incentives and rewards is in the design. Organizations must avoid a one-size-fits-all approach to any incentive travel. What one employee, customer or partner finds rewarding and engaging, another might find inconvenient, boring or even stressful.

Extracting the greatest impact and ROI from investments in business travel requires more imagination and creativity than ever before. The bar on incentive travel programs has risen. Participants are no longer as satisfied with the standard luxury resort vacation. Millennials tend to prefer action-oriented and/or volunteer experiences, for example, but expect wide variations in reward preference within the generations, sexes, occupational categories and other groups as well.

Where travel rewards are concerned, organizations must explore the experience and meaning of travel – including elements of wellness and volunteerism – to create bespoke experiences and lasting memories. Organizations should also consider a person's income level when determining whether a travel reward might be more effective than cash. A \$10,000 trip to Hawaii means one thing to a high earner and something else to a person struggling to make ends meet.

From the perspective of sponsoring organizations, return on investment (ROI) and the measurement of the impact of investment in travel has become more important since the financial crisis and recession began in 2008.

Incentive travel, after all, is among the most expensive reward organizations offer. Those who design the programs suggest that a good experience costs at least \$5,000 per reward earner in 2018.⁷⁰ Yet many organizations prefer incentive travel to cash and merchandise rewards because travel is widely thought to have a greater impact on engagement and performance. Indeed, a flurry of research over the past two decades demonstrates these links.

Individual Incentive Travel

Incentive travel offers a unique example of a reward that should also be used as an incentive. In other words, incentive travel is an exception to the “reward after” rule described earlier. In this case the if/then incentive offers benefits to organizations before, as well as during and after the event. As employees, customers or partners strive to earn the reward, their productivity and engagement increases and a “buzz” of anticipation may be created in the organization. This effect can last months as excitement around the program builds momentum.

⁷⁰ EEA interview with Susan Adams, Dittman Incentive Marketing, November 2014

Recent SITE Foundation research determined that “Of those who earned the [incentive travel] reward 95.5 percent said they were ... motivated to earn the reward. But 90.7 percent of non- earners were similarly motivated.”⁷¹

In the unique conditions that incentive travel creates, the benefits of using the reward as an incentive exceed the advantages of delaying announcement of the reward until after the achievement. In any case, incentive group travel programs are often annual events, announcing them afterward would surprise no one.

Nonetheless, for the effect to work and the benefits realized, design of incentive travel programs is paramount. The program should not be exclusive or too difficult to attain. The more stakeholders who can see a realistic chance of earning the reward, the more the organization will benefit from their extra efforts and engagement. Flexible travel options are also critical. Thoughtful design is important in creating programs that appeal to as many people as possible. This is easier to manage in individual versus group programs and should be taken advantage of.

Many people will continue to opt for the beach or a golf destination, for others, a significant health & wellness component is essential, some will want an “extreme” experience, others may be motivated by the opportunity to give back in some form through volunteerism (for example, paid time off to build houses with Habitat for Humanity in Central America). For most, incentive travel must include significant others to be rewarding.⁷² Remember that “rewarding” a salesperson who spends much of their life on the road with travel that does not include their family, will almost always be unrewarding, if not a punishment. The recognition remains but the reward itself will backfire.

Finally, in most cases, programs should pamper reward earners (volunteerism and extreme travel are possible exceptions). The experience should be made more positive by removing as many of the inconveniences and indignities of travel as possible. This might include fast passes at airports, preferred boarding and seating on planes, pre-arranged concierge services, local transportation at the destination, welcome packages and thoughtfully planned agendas.

And increasingly, incentive travel must be designed with contingencies in case of disruption. The IRF’s Event Disruption Study, published in 2017 states that almost two-thirds of planners have “experienced disruption that affected the overall outcome or success of at least one event in the past 12 months.” And nearly a quarter

⁷¹ Incentive Travel: *The Participant’s Viewpoint Part 1: Incentive Travel as a Meaningful Motivator*, SITE International Foundation and Incentive Travel Council

⁷² *Striking the Balance: The Integration of Offsite Business Meetings and Incentive Group Travel*. Allan Schwyer and Lynn Randall, Incentive Research Foundation, May 2013

of events they planned in 2015-2016 were negatively impacted by a disruption.⁷³ Designers should plan for and have contingencies in place against common disruptions, such as weather events and flight cancellations. For rarer disruptions such as crime and terrorism, designers should have emergency personnel they can access wherever a reward-earner travels.

Group Incentive Travel

Group reward travel offers greater potential benefits to organizations than individual travel. And when done exceptionally well, it can be a more rewarding and memorable experience for reward earners as well. Group travel is usually designed to bring high performers together with the organization's best customers and partners and its top executives. Getting the best of the best together in one place, without the distractions of the office can unleash a bonanza of networking, bonding, and great ideas.

Group incentive travel, however, is more difficult to plan and design. With individuals, the travel experience can be tailored to the individual's tastes and preferences. But if you are trying to decide what type of trip to offer to a group of salespeople who hit their quotas, or high performers in other areas of the business, keep in mind that variety is critical.

Remember that only 30-35 percent of people qualify as novelty-seeking, risk taking and adventurous.⁷⁴ An exotic vacation for one person could be a nightmare for another. There are a variety of standardized psychological tests to assess novelty seeking and exploratory tendencies. Theoretically, rewards designers could administer a novelty-seeking test and then offer trip options that are tailored to the employee's individual *drive to learn*. Or they could simply ask. Another approach that many planners and designers have adopted is to provide a range of options within the incentive travel program, from low impact to highly adventurous.

Meetings and Group Incentive Travel

Among the most common and effective of motivational events is the offsite business meeting or corporate retreat. Thus, combining offsite meetings with incentive group travel is a growing and natural phenomenon. For many top performers, these meetings, within reason, will be welcome. It is extremely important, however, to remember that every participant is different. Some will thrive on an agenda full of commitments for meetings and social occasions with senior executives. Others will desire fewer of those interactions and more time to relax and recharge alone, or with their colleagues and /or family.

⁷³ Haemoon Oh (2017) *Event Disruption Survey*, Incentive Research Foundation

⁷⁴ Paul Herr and Allan Schweyer, *Behavioral Economics and Incentives*, Rewards and Recognition, Incentive Research Foundation, 2016

A 2013 IRF study on the use of meetings in incentive group travel suggests that only rarely do reward earners reject business meetings and networking entirely. It boils down to quality and personal preference – how compelling and valuable are the meetings and networking to the individual reward earner? How much is too much for one participant versus another? ⁷⁵

The key to a successful combination is in the design of the program. Careful thought and exceptional content can turn skeptics into eager participants. Planners must always place themselves in the shoes of the reward earner and put participants' needs ahead of the organization's desires. Attendance at some, if not all of the meetings should be optional.

No matter whether you're using a trip as pure incentive travel or in combination with meetings or events, it's important to consider how you can leverage that experience to reinforce values, messages, or behaviors linked to your overall engagement efforts. It takes a specific skill set for a meeting planner or an incentive travel planner to manage both. The right person will have a combination of the most important skills of each, including the logistics and venue expertise of a meeting planner and the knowledge of rewards, recognition and motivation of an incentive planner.

⁷⁵ Allan Schweyer (2013) *Striking the Balance: The Integration of Offsite Business Meetings and Incentive Group Travel*. Incentive Research Foundation

Chapter 7: ROI, Analytics & Measurement

It is impossible to navigate today's business media without encountering at least some mention of analytics. Quantitative data analysis and predictive analytics are now being used to fundamentally change entire aspects of research, business and life. The rate at which books, conferences and information are proliferating is astounding.

Many describe Big Data and analytics as transformative and a key source of competitive advantage in today's business environment.⁷⁶ Some have argued that competing on Big Data and analytics should be a core strategy for many organizations. As organizations adopt these strategies, they gain the know-how to go even further, toward predictive algorithms, Artificial Intelligence (AI) and Neural Networks that mimic the wiring of the brain itself.⁷⁷ The danger for laggards is being left behind, with the near impossible task of catching up should these technologies disrupt the industry.

Professor of IT and Management at Babson College and MIT Center for Digital Business research fellow Tom Davenport and his colleagues⁷⁸ suggest that companies can be classified based on their developmental state of analytical competitiveness, ranging from companies that are "analytically impaired" to those that are 100 percent analytical competitors. According to this view, the use of Big Data and analytics as a core strategy will define the winners in the marketplace, both now and in the future.

Despite the pervasiveness of the talk about Big Data and A.I. neither are typically well-defined or articulated. It's almost as if you're supposed to know it when you see it, and then somehow understand how to use it to drive business success. For the great majority who are neither data or computer scientists, the nature, uses and potential of Big Data and A.I. aren't always intuitively obvious.

The fact is, however, that data analytics, including calculating the ROI of incentives and rewards is important. It can be used to generate insights on creating, maintaining and building enterprise engagement. In fact, properly designed recognition programs maintained on the same engagement portal platform, can provide invaluable data that connects behaviors to results across the organization in ways not previously possible.

76 McAfee, A. and Brynjolfsson, E. (2012). *Big data: The management revolution*. Harvard Business Review, 90(10): 60-68. Mayer-Schonberger, V. & Cukier, K. (2013). *Big Data: A Revolution That Will Transform How We Live, Work, and Think*. Houghton Mifflin Harcourt.

77 Allan Schweyer (2017) *Robots in Recruiting*. Appcast

78 Davenport, T. & Harris, J. (2007). *Competing on Analytics: The New Science of Winning*. Boston: Harvard Business Press. Davenport, T. & Harris, J., & Morison, R. (2010). *Analytics at Work: Smarter Decisions. Better Results*. Boston: Harvard Business Press.

We live in a time when success requires the engagement of all the stakeholders in an enterprise. Analytics can help identify how the engagement of different stakeholders is interrelated, the specific actions that can be taken to increase the engagement of certain stakeholders, and how enterprise engagement is impacting business success. To leverage these possibilities, one will need to take a holistic approach that requires the clear articulation of an organization's value chain, the various stakeholders and the roles they play, and what engagement of those stakeholders in particular parts of the value chain looks like.

The future of incentives and rewards hinges on every stakeholder aggressively adopting the power and insights available to them from ROI analysis and analytics in general, then, potentially, using advanced algorithms and A.I. to make better decisions and to provide reward earners with better experiences. Only as we draw upon the decision-making capabilities behind analytics will we truly be able to engage all facets of an enterprise through the best selected and designed rewards.

Clearly, this isn't an endeavor for the faint of heart. However, for those who accept the challenge, the payoff is considerable. Mastering the use of analytics within incentive and reward design can reveal the symbiotic relationships between the engagement of each stakeholder and their impact on business results.

Measure, Analyze, Report and Take Action

When an organization strives simultaneously for better engagement across all of its key constituencies, truly exponential gains can be achieved. So how can you effectively measure and demonstrate these gains? In order to make informed decisions based in fact, managers need to:

- Regularly monitor trends in employee, customer, supplier and partner engagement, through engagement surveys, analysis of sales and revenues, and of behavioral data collected in the program
- Identify and place an organizational value on the specific behaviors that can achieve results—if a behavior is to be rewarded with something of tangible value, the organization should also determine the value of that behavior (tangible and intangible) in order to establish a return on investment and a return on value
- Analyze the trends against the use of incentives and rewards to determine what works
- Share the information across the organization
- Set goals
- Mobilize executives, managers and supervisors to take action

Managers' incentive plans should be aligned to the achievement of engagement goals. Taking action normally means devising and implementing initiatives aimed at improving one or more areas of engagement.

Effective measurement requires that certain fundamentals or principals be observed. Meaningful measurement will normally require an estimate of business impact at minimum and, in some cases, a Return on Investment (ROI) calculation. Following the policies and procedures below will ensure that you develop credible and defensible estimates of the business impact and ROI (where necessary) of your engagement initiatives:

Baseline data. To measure performance change, there must be meaningful “before and after” comparators. For engagement metrics, this means having or creating a reliable benchmark *before* you begin your rewards initiatives. In most cases, the benchmark data will come from your first or previous engagement surveys, or from performance data you’ve accumulated from a previous, comparable period.

Number and ease of measures. The number of performance measures should be limited and their tracking not overly complex. For example, employee engagement, customer engagement or channel partner engagement scores are singular measures. More granular measures might include scores by division or even by team and manager. Measures might include specific actions or behaviors, such as an action above and beyond; exceptional customer service; extra initiative related to solving a problem; a valuable suggestion that gets implemented; a consistent can-do attitude, a habit of knowledge and idea-sharing, etc. A useful tool is the [Master Measurement Model](http://theirf.org/research/the-master-measurement-model-of-employee-performance/215/) (<http://theirf.org/research/the-master-measurement-model-of-employee-performance/215/>) published by the Incentive Research Foundation and the American Quality & Productivity Center in 2010.

Involvement. It's important to gain participants' input and feedback in the development of the measures. Off-the-shelf engagement surveys are readily available for employee and customer surveys. The Enterprise Engagement Alliance (EEA) offers its [Enterprise Engagement Benchmark Indicator](http://www.eewidget.com/eebenchmark/) (<http://www.eewidget.com/eebenchmark/>), which includes measures for employee, customer, channel partner and supplier engagement. In using these tools for measurement, be sure to collaborate with your various constituents in explaining how you'll measure progress and what you intend to do with the data. Encourage their input and suggestions, especially in the collection of data and dissemination of results.

Another option is to get input from some of the participants via a “nominal group technique.” Using this method, a facilitator works with selected representatives from the group being measured to identify their views related to the most effective

performance measures or related opportunities and obstacles. You can also use this phase to help identify any outside issues that could affect results (see Causality, below).

Conservative financial assumptions. Though difficult, try to place a value on the unit measure of performance or engagement. In doing so, err on the conservative side when making financial assumptions and confirm all financials (assumptions and numbers) with colleagues in the Finance or Accounting department. Calculating financial ROI from intangible benefits such as increased engagement is an imperfect science, especially when you're also attempting to connect it with a specific incentive or reward. By making conservative estimates and by assigning only a portion of the gains to your reward initiatives, your results are more likely to be viewed credible by the CFO.

Alternatively, leave engagement in your intangibles column, along with other value that you can't put a dollar amount to, like increased citizenship behavior, positive branding and greater participation in organizational extra-curricular events, for example.

Causality. You may see positive results from your engagement or performance initiatives such that even conservative estimates of the dollar value appear quite high, especially when all of the gains (in sales, for example) are attributed to your engagement initiatives. The impact of your initiatives takes time to surface, so consider external influences that might be partially responsible for the gains (or losses, as the case may be).

If your sales team engagement initiative – for example, a spot reward and recognition program for top performers – occurred between January and March, for example, you might have had to wait until October for sufficient data to measure its impact. In between, the economy might have changed, demand may have increased or the competition may have suffered a setback. These influences should be considered and factored into your equations.

One means to limit the effect of external influences is frequent measurement. For example, suppose you've held an event for channel partners. You measure its impact at the time of the event (reaction), then a month or two later (application), and then again after six months or so to determine the business impact and ROI (e.g., greater sales). Still, if prices of products have changed during those six months or if demand has changed, consider these factors in determining causality.

Another way is to track both outcome measures—e.g., the desired result in terms of sales, productivity, quality, safety, etc.—as well as behavior measures: selected actions or behaviors that lead to greater sales, productivity, quality, etc. If the

performance goals are achieved, but there is no improvement in the frequency of actions or behaviors that lead to results, there's a good chance some outside factor has affected the results.

Linkage. Measures should ideally be linked to organizational goals and geared to driving organizational success. When developing your measurement plan, always think about corporate objectives and strategy. For example, one of the organization's goals may be to earn more "share of spend" from existing customers. In this case, an incentive might be designed to keep people on your commerce website longer. You'll need to correlate time spent on the site to dollars spent. Did the initiative drive longer site visits and higher spending? In other words, did better customer engagement result in more revenue?

Demonstrating ROI. The financial impact of failed incentives and rewards, and poor engagement, or conversely, the opportunity for significant financial gain where engagement is improved, is often large enough to warrant a measurement strategy that includes a formal ROI evaluation, such as the ROI methodology™. Where this is the case, measures and metrics chosen must support the calculation of ROI.

Targeting. Select high impact metrics to demonstrate that scarce resources are being applied in such a way to maximize business impact and ROI. For example, metrics aimed at tracking sales increases, reducing customer attrition, increasing productivity, quality, service, and safety, are ideal. These are easy to convert to dollar values in a credible manner and both are easily understood, high impact measures.

Ongoing monitoring and feedback. As noted, effective measurement provides not only the opportunity to track your engagement efforts at the end of a program period, but also along the way. Make sure you build into your measurement effort a means to collect and analyze information on a regular basis, and make adjustments accordingly to your strategy and tactics to address performance or engagement gaps.

Predictive analysis. In making the case for spending money on engaging incentives and rewards programs, a predictive analysis of *expected* ROI can be very useful. Metrics should support management's ability to understand the relationship between improvements in the measure and impact on organizational success (i.e., if goals are achieved, what is the value to the organization versus the cost?).

Technology

Measurement and analysis are no longer as time-consuming and difficult as they once were. With today's low-cost, cloud-based software and digital surveys with polling, tracking, analysis and dashboard reporting tools, organizations have the ability to connect daily with their key constituents (employees, customers, suppliers, partners, etc.).

Daily interaction through engagement software is designed to be non-intrusive. Naturally, you can't survey people every day, but as a result of web-based recognition technology, it has become easier to track the engagement of constituents – not only their performance, but also their website visits, including the content viewed, learning, innovation, participation in social networks, etc. Moreover, today's engagement technologies often include pulse surveys (very short surveys sent frequently) and provide a dashboard of engagement levels and performance results against individuals, departments and at the enterprise level, as well as for individual customers, suppliers and re-sellers.

Allowing employees, and partners in particular, to view the progress of their peers toward goals and program utilization connects employees and partners to the brand, the engagement portal and their performance objectives. Your goal is to build the community and share data not just at an administrative level, but also at the participant level.

Measure Frequently and Act Fast

Tracking and sharing real-time performance against goals leads to high-level leaders taking action and buying in to the process. Real data based on business impact and ROI helps your organization identify issues and opportunities. For example, if the data reveals a negative trend in channel partner engagement, rewards initiatives to reverse the trend can be implemented, measured (often with ROI calculations) and adjusted quickly until the desired impact is achieved. Whether the tactic is additional training for employees who manage channel partner relationships, a richer incentive program, or an event for top-performing channel resellers, decisions can be made in the light of metrics, and initiatives can be evaluated on data, business impact, and even ROI. They can then be adjusted, expanded or terminated based on measured, defensible evidence.

Ongoing measurement – where the engagement of key constituents is quantified – can ensure success now. There is no need to wait months for the next employee or customer engagement survey results or, worse, take a stab in the dark based on a hunch. Because so few organizations are tracking incentive data today, an enormous competitive advantage awaits those that do, and especially those who build it into their day-to-day business platforms.

ROI Measurement: John Deere Credit

Leaders and managers can drive appreciable improvements in engagement using a variety of techniques and behaviors. Knowing this, John Deere Credit (JDC), a division of John Deere (now John Deere Financial), sought to improve its managers' capabilities as related to employee engagement.

First, JDC surveyed its organization of about 800 employees. Though much like an engagement survey, this survey focused on those things most impacted by a person's

direct manager or supervisor. Analyzing the results, JDC could see what managers were doing relatively well and relatively poorly. Manager strengths were documented and shared, as were their weaknesses. This gave the organization (and managers themselves) a benchmark and guidance concerning improvements that might have the most impact.

Related to their strengths and weaknesses, managers were asked to choose two activities that would drive higher engagement among their teams. Each would lead and be accountable for these initiatives with their reports. The interventions were simple and cost effective – for example, developing individual learning plans with each team member, scheduling weekly one-to-one coaching sessions or finding the time to recognize people regularly for their contributions. Monthly meetings were scheduled to review progress and to hold all managers accountable for following through with their plans.

JDC's next employee engagement survey took place about eight months after the program was initiated. Not surprisingly, it revealed tremendous gains. While it wasn't possible for JDC to isolate the impact of the management initiative alone, they felt the initiative contributed to the lion's share of improvements. Those assessed as "Fully Engaged" rose from 18.2 percent to 25.6 percent. "Engaged" workers rose from 49.8 percent to 55 percent. Those previously deemed "Somewhat Engaged" and "Disengaged" dropped from 24 percent to 17.3 percent and 10.1 percent to 3.2 percent, respectively.

So what do these numbers mean? Using their previous engagement survey results, JDC determined it lost over \$6 million per year due to the 34 percent of its employees who were either Somewhat Engaged or Disengaged. After the intervention, they produced the following profile using data and recommendations from the Center for Talent Solutions (CTS), a firm that has been assisting organizations worldwide with employee engagement for the past 17 years.⁷⁹

- 800 employees
- Average salary: \$78,000
- Average benefits: 28%
- "Fully Engaged" = 122% performance
- "Engaged" = 100% performance
- "Somewhat Engaged" = 71% performance
- "Disengaged" = 40% engaged

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By multiplying the number of employees by average salary plus benefits (\$99,840), managers arrived at an ideal “performance number” if all employees were engaged: \$79,872,000. However, because 25.6 percent of its employees are now Fully Engaged, it received an annual performance boost of \$4,498,391.04. Unfortunately, despite decreasing the number of Somewhat Engaged and Disengaged employees, it is still losing money in terms of performance. The 17.3 percent of its employees who are still Somewhat Engaged cost JDC \$4,007,178.24 each year, and the 3.2 percent that are Disengaged cost it \$1,222,041.60.

Yet by taking the simple, inexpensive actions they did, JDC reduced its net annual performance loss from roughly \$6,000,000 per year to roughly \$731,000 – a drop of more than \$5.2 million. As precise as these numbers sound, they are based on estimates. But because the estimation followed a rigorous and credible process, JDCs CFO and CEO understood and accepted the results.

Chapter 8: Where to Buy Rewards and Recognition

The general lack of knowledge about the world of rewards and recognition not only leads to poor program design and execution, but also to the selection of inexperienced or inappropriate suppliers. Not knowing any better, or lacking an understanding of proper program design, many organizations buy rewards online or through retail outlets, not understanding that most brands have business-to-business divisions staffed by people with at least some understanding (and in cases a lot of knowledge about) the best ways to utilize rewards and recognition. Nor do many businesspeople know that there exist literally hundreds of incentive, recognition, loyalty and master fulfillment companies with specific expertise in rewards and recognition to help enhance outcomes, some of whom have certifications in various areas of rewards and recognition. This chapter provides a general run-down of resources and types of suppliers active in the market.

Information Resources

Four organizations in the U.S. focus exclusively on the rewards and recognition field:

- **RRN** at RewardsRecognitionNetwork.com, publisher of this e-book.
- **The Rewards & Recognition Expo** at RandRExp.com, the industry's only show open to professionals at for-profit and not-for-profit organizations, featuring leading suppliers in all areas of the field. Produced by RRN.
- **Incentive magazine** at Incentivemag.com.
- **Premium Incentive Practice** at PIPmag.com.

Professional Program Design Support and Certifications

Before deciding where to purchase rewards, it's important to consider the issue of program design. Based on best practices derived from years of research, it appears that most incentive, recognition and loyalty programs using rewards and recognition overlook best practices for program structure and reward selection, personalization and customization to maximize the experience and long-term impact.

Research over the last decade and more has pointed to the importance of equitable design – i.e., program structures that reward people for incremental performance (so-called 'open-ended programs'), and for the behaviors that lead to goal accomplishment rather than simply the accomplishment themselves.) Because rewards and recognition, incentive, recognition and loyalty program design generally is not taught in schools, professionals seek out training and certification through associations and other entities. The three leading certifications in the field are:

The [Incentive Marketing Association](#) Incentive Professional and Certified Professional of Incentive Management. The basic certification is awarded based on

the completion of an online test; advanced certification requires years of experience and participation in education events.

The [Recognition Professionals International](#) Certified Recognition Professional program. Certification requires completion of a series of online courses.

The [Certified Loyalty Marketing Professional](#) is produced by The Loyalty Academy. Certification requires completion of a series of online or onsite courses on all areas of loyalty management.

Types of Non-Cash Awards

The most frequently used non-cash rewards include:

- Brand-name merchandise
- Retail and reloadable gift cards
- eCodes or other electronic redemption currencies
- Group or individual travel experiences
- Dining and live entertainment
- Online music and entertainment
- Time off

Applications for Non-Cash Rewards

- So called ‘surprise and delight’ rewards of appreciation for customers, employees, distribution partners, vendors, donors and volunteers.
- Rewards for customer loyalty or referrals.
- Incentives to promote results and positive behaviors or action for sales and distribution partners.
- Employee rewards for productivity, quality, service, wellness, safety, etc.
- Recognition for accomplishments or contributions.
- Fundraisers.

Research suggests that any of these rewards can have impact with the right people and in the right context and will provide the best result if implemented as part of an overall system to engage people rather than solely as a ‘carrot’ on an ad hoc basis, as is often the case.

Services to Maximize the Experience

As readers of this e-book will quickly determine, organizations achieve the best results if they work with experienced practitioners with the expertise and resources to make each reward program more meaningful and rewarding for all concerned. Organizations with limited internal resources in terms of expertise and time will benefit from seeking out professional full-service providers who can address all aspects of the programs. Full-service incentive companies or other organizations that bring reward solutions to their clients usually deal with multiple types of suppliers.

Ways to Maximize the Reward Experience

- 'Surprise and delight' spontaneous awards for specific behaviors or results.
- One-on-one or group presentations.
- Personalized selection – the rewards reflect an understanding of the recipient.
- Creative gift-wrapping – packaging that shows thought and care.
- A personal letter expressing appreciation.
- A reward event, such as a boutique or warehouse run-through in which recipients select their rewards in an 'event experience.'
- A carefully selected reward highly relevant to the individual's situation or the behavior/outcome that warranted the reward.

Types of Suppliers

Many of the products used in rewards and recognition programs come from brand-name companies that can easily be purchased online and sometimes at the lowest cost available. The question is, what is the application for the products you are purchasing? If they will be used as part of a formal program to engage key customers, distribution partners, employees, or others, you can benefit from expertise in program design, reward selection, personalization, or other ways to maximize the experience. Do you need technology customized to your organization's brand, communication, learning and other needs? If the answer is yes to any of the above, your organization will benefit from working with one of various types of suppliers active in the field, based on your needs.

Full-Service Program Support

Several dozen companies in the U.S. traditionally known as 'incentive' or 'recognition' companies provide complete services related to the design and implementation of programs to motivate customers, distribution partners and sales/non-sales employees. The largest of these companies have sales in the hundreds of million dollars and provide some of the world's largest companies a complete suite of services related to managing incentive, recognition and loyalty programs, while others specialize in employee, sales, or distributor programs, as well as specialty areas such as wellness or safety. Today, most of these companies have their own technology platforms; a few license third-party platforms. Most of these companies offer customized program platforms and access to multiple types of rewards.

Branded Merchandise

Because of their appeal and meaningfulness to people, brands have long dominated the world of rewards and recognition. They can be purchased through various wholesale sources:

- **Special markets.** Some of the world's leading brands have special markets departments that specialize in supporting organizations that wish to purchase and/or customize brand-name merchandise for use in any type of corporate

or not-for-profit application. Most of these brands belong to the [Incentive Marketing Association](#).

- **Incentive representatives.** Most of the leading brands sell through incentive representatives who generally operate regionally. They act as a liaison between the organization and the brand in terms of logistics and pricing.
- **Master fulfillment companies.** These wholesalers specializing in the marketplace have greater impact than ever, as some leading brands have shut down their special markets departments and outsourced them to master fulfillment companies. These companies stock leading brands and provide complete support, often including online reward catalogs, customization/personalization and fulfillment.

Travel Incentives

Full-service incentive and event companies have divisions that design and plan travel used in customer, distribution partner, sales/non-sales and other types of incentive and recognition programs. These organizations are distinct from retail travel agencies, as they focus on creating unique and meaningful reward experiences that support organizational goals. A few companies specialize in creating individualized travel experiences for individuals and significant others.

Gift cards

Most of the leading retailers sell their gift cards for business and charity use, offering various small discounts for companies that resell these cards to their clients. Gift card consolidators are gift card wholesalers that manage and fulfill programs using gift cards for any business applications, much as master fulfillment companies do for brand-name merchandise.

Where to Find Suppliers

Suppliers active in the marketplace can be found in this eBook, as well as:

- **Incentive Marketing Association** at Incentivemarketing.org.
- **Recognition Professionals International** at Recognition.org.
- **RRN** at RewardsRecognitionNetwork.com.
- **The Rewards & Recognition Expo** at RandRexpo.com.
- **Premium Incentive Practice** at PIPmag.com.
- **UniversalRewardsXchange.com**

Summary

Incentives, rewards, and recognition have been used in commerce for thousands of years, but only recently have organizations begun to take a more scientific look at their use. Based on the new interest in engagement, grounded in extensive research demonstrating the connection between engagement and performance, both research institutions and organizations are taking a more critical look at the way rewards are used, whether for customers, distribution partners, sales or non-sales people, or even vendors and community supporters.

Over the past 15 years, an unprecedented amount of research has been conducted on incentives, rewards, and recognition. A meta analysis of all of this research finds that the best results are achieved when rewards and recognition are:

- Offered as part of formal programs that address all of the key levers of engagement.
- Clearly differentiated from cash compensation and pricing.
- Selected with a personal knowledge of the recipient.
- Presented in a highly personalized way appropriate to the individual and the accomplishment.
- Systematically measured in a way that can connect performance and behaviors.

The major challenge in most organizations is that no one has formal training in incentive, reward, and recognition design, and there is no commonly accepted process or analytics-based framework for making informed decisions. As a result, the vast majority of programs are very basic and follow the carrot and stick “do-this, get that” approach, resulting in unsustainable programs that often deliver unintended consequences. Designers should add science to the art of program design, making the effort to address all of the levers of engagement and motivation, and to carefully select and present rewards in a meaningful way.

That incentive, rewards, and recognition programs remain a staple in marketing, sales, and human resources initiatives without following best practices is a testament to their power. Imagine the results you might achieve when you follow the key steps to successful recognition program design, implementation, and measurement contained in this book.

Good luck and please send us your questions, ideas, thoughts, and the results of your IRR initiatives, we’d love to hear from you.

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Appendix: Case Studies

The following case studies illustrate several of the principles and best practices of using incentives to engage described in this paper. The video clips are courtesy of the Incentive Marketing Association.

WESCO VIP Passport: Dealer Distributor Incentives



<http://www.incentivemarketing.org/?page=COE2015Wnrs>

United Health Group

Serving more than 75 million individuals, UnitedHealth Group (UHG) is one of the largest insurance and wellness management companies in the U.S. Its two major divisions, UnitedHealthcare and Optum, employ 77,000 people who work in six business units. In each of these businesses, there's an innovation team that works to design and implement new products, services and efficiencies, all aimed at improving the quality of healthcare and driving down costs.

Robert Plourde, Vice President of Innovation and Research & Development, says the key is to focus on root causes, noting that the U.S. spends as much as 10 times more on disease management than it does on prevention.

“It’s critical for healthcare providers to educate people and provide them with the tools, incentives and coaching they need to actually implement the behavioral changes necessary to adopt healthier lifestyles,” he says, adding that ample information is available, but very few people take the time to seek it out.

Consequently, UHG has pioneered exciting ways to educate people about their health needs, specific diseases and courses of action by using technology and “gamification” techniques, along with incentives, to both engage and encourage them to take the necessary actions.

Enterprise Social Wellness

In the fall of 2010, UHG piloted an enterprise-wide “social wellness” program using what it called the ShapeUp platform, in which employees enrolled in a 12-week challenge to lose weight, increase the number of steps they walked and increase the amount of time they exercised daily.

To participate, employees input their progress in the online platform, encouraged others to join them and compete together, and invited others to join as well.

The results: the social reinforcement and team-based structure drove 30% of employees to engage and participate. More importantly, 70% were first-time wellness users, and 40% were at high risk for obesity-related diseases. Overall, participants lost 25 tons of excess weight and recorded more than 1 billion steps. On average, individual participants exercised 30 minutes daily, lost 3.7 pounds and reduced their body mass index (BMI) by 0.6%, with some achieving dramatic and life-saving results.

Then, in November of 2010, OptumHealth launched “OptumizeMe,” a health and wellness platform that allows users to create a series of challenges using mobile apps, social interaction, recognition, intrinsic rewards and extrinsic rewards for goal achievement.

Motivation Through Gamification

According to Karl Ulfers, Vice President of Consumer Solutions for OptumHealth Care Solutions, it’s critical to help people navigate the system so they can learn about their specific conditions and health issues, find the right doctors and give them tools to help take the necessary actions, such as losing weight to reduce hypertension and diabetes risk.

Ulfers explains that because many people don’t have immediate access to their computers while at work, a restaurant, recreational activities, or while exercising, OptumHealth will be launching a new mobile coaching experience in December of this year that incorporates elements of gaming. As people take actions to improve their health – eating the correct foods, drinking water as directed, etc. – they’ll earn

“badges” and unlock levels that will provide them with more features and functionality. For example, if they earn a bronze badge, they’ll be able to post on their friends’ walls and see more content (including articles and videos) and receive surprise rewards, such as congratulations from celebrities.

The OptumizeMe system also includes a “loyalty engine,” which awards points for participating, learning and accomplishing required outcomes. In one case, if a participant’s BMI is below a targeted number, they will earn points; if it’s above, they can still earn points, but only by taking remedial training and coaching.

Rewards & Relationships

Although this platform is designed and managed by OptumHealth, it’s customized for and sold by the 1,700 payers, providers and employers who are their customers. Award points can be used for insurance premium reductions, incentive merchandise, travel packages, or retail gift cards, depending on the goals and objectives of a particular program sponsor. Some employers believe that offering their employees reduced premiums is more motivational and will result in greater participation and better results (e.g. save \$300 for taking the specified actions), while others believe that tangible incentives have greater perceived value, especially merchandise items and gift cards that relate to health and wellness (such as branded athletic gear and apparel).

Sweepstakes are also used as a promotional tool to generate interest and awareness for specified activities such as taking a Health Risk Assessment (HRA) or Biometric Screening. Ulfers believes that OptumHealth has experienced high participation rates because people are motivated by the “aspirational” travel and merchandise prizes that are being offered.

In addition, UHG deploys devices that help improve wellness, such as kiosks that allow employees to test their weight, blood pressure and body fat at work in order to keep themselves on track and tie in to workplace education, coaching and support groups. UHG is also partnering with consumer electronics companies that are bringing products to market that are designed to help people get more fit, as well as with nonprofit health-related organizations and community groups to improve health and wellness education.

Building a Culture

In addition to encouraging all of its employees and channel partners to participate in health and wellness programs, UHG fosters a culture of innovation and engagement that allows everyone to submit ideas for new products and processes, both individually and in teams. Participants can submit ideas in writing, via email, using an online community collaboration platform and even over the phone to reps who forward them to the appropriate reviewers.

And it doesn't stop there, because if an idea is accepted the initiator can choose to become the "idea champion" to bring it forward – in some cases, even as their new full-time position. This culture of wellness, recognition and innovation drives passion, empowerment and engagement – and that comes from the top, because the company's CEO promotes the program, issues challenges (such as a recent one to focus on childhood obesity) and recognizes top ideas and implementation teams at formal recognition events.

Erin Carnish, Senior Vice President of Innovative Health and Technology Solutions for OptumHealth Care Solutions, heads a team that's focused on developing next-generation solutions to drive medical cost savings. She explains that while there are certain generalities that apply to the population as a whole, healthcare education, treatment and management for people with specific diseases must involve customized programs that are sensitive to their unique needs, while at the same time complying with strict privacy regulations.

OptumHealth also continuously gathers insights from patients and physician panels covering various specialties to improve its solutions. Carnish notes that they recently conducted focus groups with employees of a large retailer to learn why they visited the E.R. as their primary source of medical treatment. They learned it was because many of them couldn't get to regular doctors for scheduled appointments. Acting on this information, "virtual doctors" were made available in the employee break room, which allowed the employees to explain their condition via a video conference and then get the proper treatment immediately or be directed to the most appropriate healthcare provider for their needs.

The division is taking this idea further, working on a program with doctors and other healthcare providers to provide an online scheduling service that will allow members of all groups, not just this retailer, to find the right type of doctor for their needs.

Cutting Waste, Increasing Care

OptumHealth is also launching a major initiative to create a system of Health Advisors who will work in conjunction with people, much like financial advisors, to assess their needs, help direct them to education and providers and coach them to make the recommended behavior changes to live a healthier lifestyle. This cuts out wasted visits to inappropriate providers and maximizes the time of specialists who can help with specific conditions.

In 2010, OptumHealth piloted a program in its Golden Valley, MN, location to integrate all employer healthcare and wellness best practices. This included adding a gym with a variety of exercise classes; making thematic design changes, such as painting some of the office walls and common areas with the GOh! program logo and green color; adding motivational messaging throughout the building, especially in the stairwells; adding a ping-pong table and other equipment to the break room to

encourage physical activity; introducing a nurse or other health professional as each employee's wellness "concierge" to coach and guide them; revamping the menu in the cafeteria to eliminate foods with high fat and calories and replace them with fresh, whole foods that have high nutritional value; and coordinating monthly educational and fitness events.

Their key objectives are to lower healthcare costs, change the way employees use the healthcare system, provide an environment where a healthy lifestyle is easy to achieve, and improve employee health with a comprehensive onsite health management solution.

The results have been outstanding. Some highlights:

- medical savings increased 35 times over the prior year
- wellness program engagement rose from 7% to 22%
- employee engagement scores increased by 6 points
- 31% of employees say their workplace productivity has increased
- 67% say that they are placing a higher priority on improving their health.

The healthcare system might seem broken, but United Health Group is one of many companies leading the charge to fix it through continuous innovation and Enterprise Engagement.

IBM Circle of Excellence Sales Incentive



<http://www.incentivemarketing.org/?page=COE2015Wnrs>

The **Art & Science** of **Engaging Rewards**

*It's time to radically change the way you
use rewards and incentives*

*Avoid carrots ... Focus people on
accomplishments and behaviors*

*Reward one person at-a-time and
present rewards to fit the recipient's unique
situation*

*Align rewards with the drivers of engagement
Separate them from compensation and pricing*

*Systematically measure hard and soft
returns in a way that connects performance
and behaviors*

When rewards are
used as *the*
motivator –
dangled like a carrot
to coerce a person
into doing
something – their
effect is diminished

Over time the
impact of the
reward is, at best,
lost; at worst the
incentive is gamed
and its intent
twisted such that
unintended
consequences
follow

Instead, use rewards
to recognize. Use
them to support and
reinforce powerful &
universal intrinsic
motivators, including
purpose, autonomy,
learning,
collaboration, and
creating