Rewards and Recognition

HR Perspectives on Non-Cash Rewards and Recognition in the New Economy

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IHR Research Paper

HR Perspectives on Non-Cash Rewards and Recognition in the New Economy

Introduction

It is no secret that the great recession has resulted in a significantly different structure in the corporate landscape. The economy has led to many organizations with stalled partnerships, smaller footprints, and jagged growth curves. On the inside, rapidly changing corporate directives, fewer resources, and a smaller workforce challenge most corporate initiatives. This environment raises a number of questions from an HR perspective. Has the HR motivation toolbox changed? And if so, to what extent do non-cash rewards and recognition fit in to this tool box?

Recent studies by McKinsey, Aberdeen and others seem to indicate an increasing focus from executive and sales management on non-cash rewards and recognition. McKinsey's recent report Motivating People; Getting Beyond Money openly challenges the traditional thinking of cash as the end all motivator. The report finds strongly in favor of non-cash motivators (including praise from immediate managers), and lists these motivators as being more effective than the three highest-rated financial incentives (i.e., cash bonuses, increased base pay, and stock options).[1] Likewise, Aberdeen research found that Best-in-Class companies (i.e. those with the highest financial and operational results) were more than twice as likely as all other firms to provide non cash incentives, with 21% of Best-in-Class organizations highly utilizing them versus 10% of all other companies.[2]

The effectiveness of various non-cash reward and recognition strategies from an HR perspective, the structure of the programs and corporate support thereof was the subject of a 2012 survey by HR.com targeted at HR owners of non-cash reward and recognition programs.

High Level Findings:

- Although non-cash reward and recognition programs are frequently sponsored at the corporate level and the HR function is the primary champion of all-employee programs, HR has been slow to become the true corporate-wide strategic partner for non-cash rewards. HR respondents reported that they only represent 50 to 80% of the overall non-cash R&R spend.
- Sourcing for non-cash rewards remains broad-based, with organizations partnering across many types of providers and intermediaries. Promotional product companies, recognition companies, incentive companies, and retail stores remain the go-to sources for non-cash awards.
- Print communications, websites, and in-house administrators are the primary means of program support and awareness.
- The perceived effectiveness of various non-cash motivators changes depending on the organizational goal (engagement, sales, productivity).
- Cost/Benefit Information was the most often cited information that could help "sell" reward and recognition internally.

1 https://www.mckinseyquarterly.com/Motivating_people_Getting_beyond_money_2460

2 http://theirf.org/research/content/6085642/rewards-and-recognition-as-a-vital-compensation-component/

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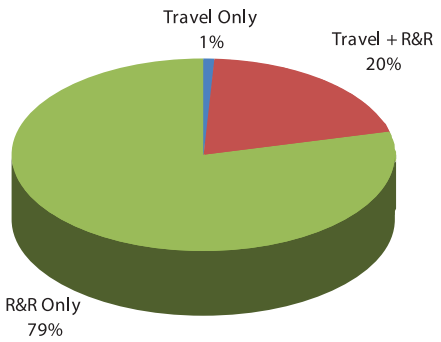
Methodology and Sample Population

The study was fielded electronically in the spring of 2012 to the majority of HR.com members and received 603 responses, giving it a 99% confidence level with a +/-5% confidence interval.

Diagram 1: 251 Responses with Planning Responsibility



Of these 603 respondents, approximately 67% had formal non-cash reward and recognition programs or incentive travel programs. Of the 401 respondents with programs, 251 had either direct or indirect planning duties in either the non-cash reward and recognition programs or incentive travel programs. Due to the limited number of travel-related program owner responses, limited conclusions on incentive travel could be extracted from the data. The data does however support the commonly held understanding that the HR function has a limited role in the planning and use of incentive travel in most organizations. The sample population was also a broad, general reflection of the market in both industry and organizational size.

Diagram 2: Respondents by Industry

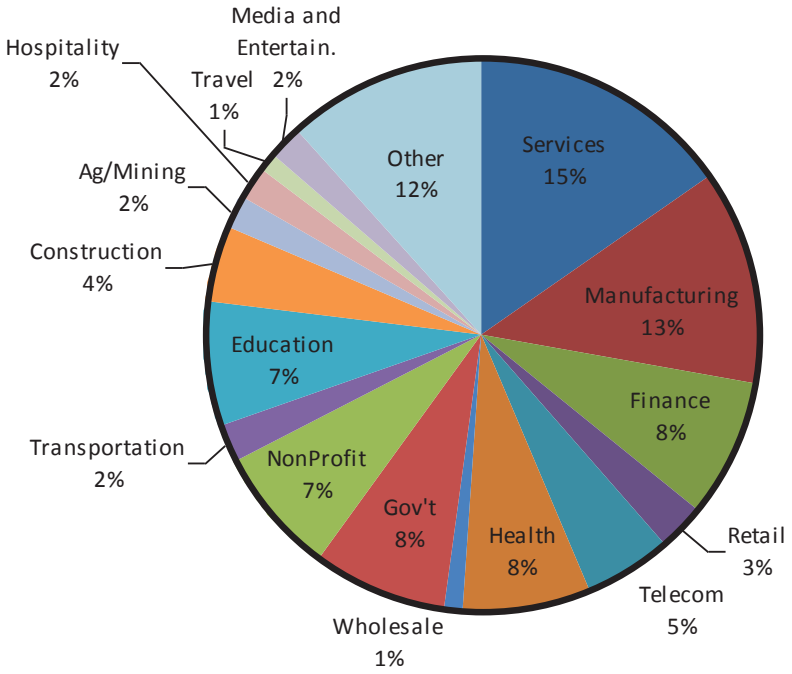


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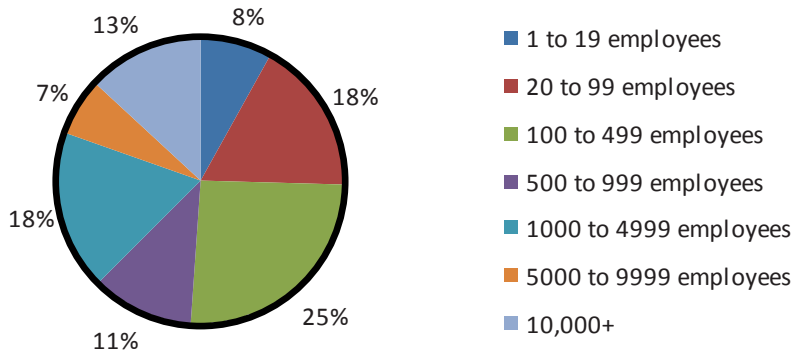
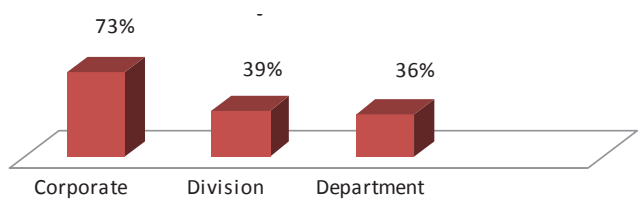
Diagram 3: % of Respondents by Employer Size



Benchmarking the Sponsorship of Non-Cash Reward and Recognition Programs

As the landscape for ownership of many organizational initiatives has changed in the last five to eight years, one of the focal points of the study was to understand and benchmark where sponsorship for non-cash reward and recognition programs resonates in the new economy. As Diagram 4 reveals, non-cash reward and recognition programs receive a surprisingly large amount of sponsorship at the corporate level with 73% of respondents noting that their non-cash reward and recognition programs have corporate sponsorship. This is a notable change to the primarily dispersed and divisional reward programs prevalent in the 1990's. It also reflects the consolidated decision-making and efficiency efforts of many modern organizations.

Diagram 4: At What Level Are Non-Cash R&R Programs Sponsored



Additionally, as Diagram 5 shows, the HR organization does continue to play a significant and predominant role in the organization and sponsorship of non-cash reward and recognition programs with over 88% of respondents revealing that the HR department is one of the key budgetary sponsors and organizers of reward and recognition programs. Less than 20% of respondents reported having non-cash reward and recognition programs also sponsored in the sales and marketing departments.

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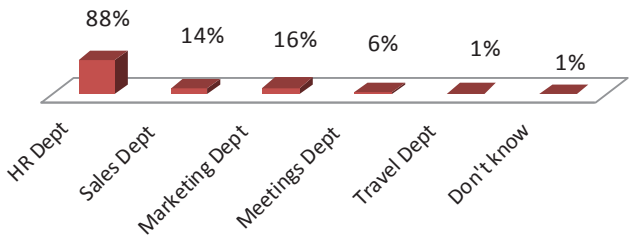
Diagram 5: HR Department is Key Sponsor



Benchmarking Resources for Non-Cash Reward and Recognition Programs: Budget and Support

At a time when US organizations are sitting on an estimated $1.6 trillion worth of capital reserves, it would not be surprising to find that non-cash reward and recognition programs have been slowly drained of budgetary and support resources. According to respondents however, as seen in Diagram 6, this has not happened. Ranges in terms of budget size varied from $50,000 to over $5 million. Not surprisingly however, the size of the budget varied by the size of the organization, with 100% of organization with less than 20 employees reporting a $50,000 or smaller budget and larger organizations claiming the larger annual expenditures. More interesting however, was that although respondents were program decision makers, the majority of them identified that the budget amount they listed only represented between 50% and 80% of their estimate of the corporation's actual overall spend. (Table 1) This could speak either to the wide amount of individual spending that happens at various levels of management or to the unknown amounts represented in the sales and marketing divisions discussed above. It is, however, another indicator that HR still may have more ground to cover in becoming the primary strategic partner for all reward and recognition initiatives.

Diagram 6: Expenditure on Non-Cash R&R

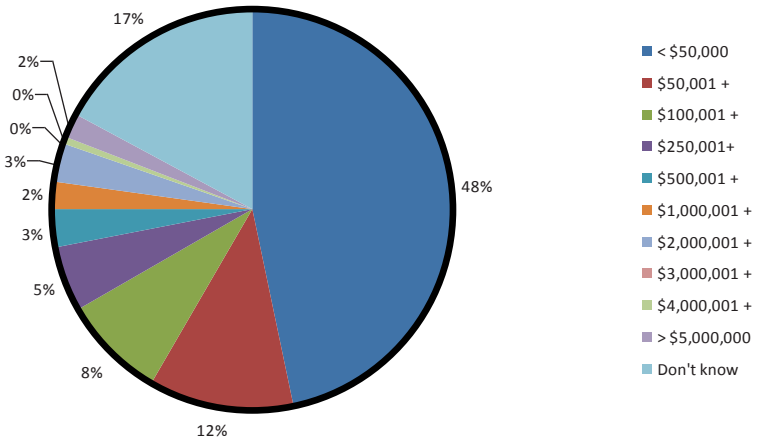


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Table 1 Budget Size: Percent of Respondents by Organization Size that Reported the According

Size of Organization	<$50k	$50k+	$100k+	$250k+	$500k+	$1MM+	$2MM+	$4MM+	$5MM+
1-19 Employees	100%	0%	0%	0%	0%	0%	0%	0%	0%
20-99 Employees	77%	6%	3%	3%	0%	0%	3%	0%	0%
100-499 Employees	58%	14%	11%	1%	3%	1%	0%	0%	0%
500-999 Employees	44%	17%	3%	8%	3%	3%	0%	0%	0%
1,000-4999 Employees	40%	13%	13%	9%	4%	0%	4%	0%	0%
5,000-9999 Employees	18%	18%	24%	6%	0%	6%	6%	0%	6%
10,0000+ Employees	8%	5%	3%	8%	8%	5%	11%	3%	11%

Although the HR respondents acknowledged that their program spend represented only a portion of the overall R&R outlay, they were also unified that their budgets go primarily to non-sales employee recognition and rewards. When asked, "What percent of your overall non-cash reward and recognition expenditure goes for the following program types?", an average of 67% of the spend went to non-sales employee recognition rewards, 18% went to sales awards, 12% went to business gifts and only 3% of the budget went to dealer incentives. Once again, these numbers most likely represent the focal point of HR responsibilities versus the spend that occurs in the sales or marketing organization for sales and channel programs. Also of important note is that these budgetary resources are used not only for rewards, but also for a variety of other program elements. Sixty percent of respondents reported that their organization supports non-cash reward and recognition programs with print communications, 40% reported supporting their programs with a program website, and nearly 40% support their programs with dedicated in-house administrators. Mobile applications and outside administrative support were used by less than 10% of respondents.

Diagram 7: Smaller Budgets Represent Smaller Portion of Overall Spend

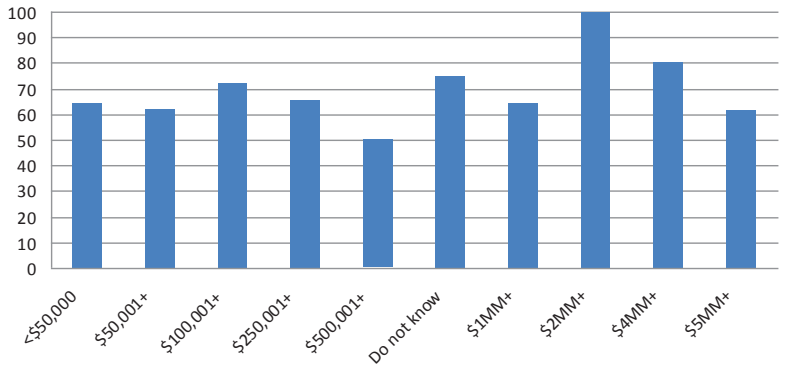

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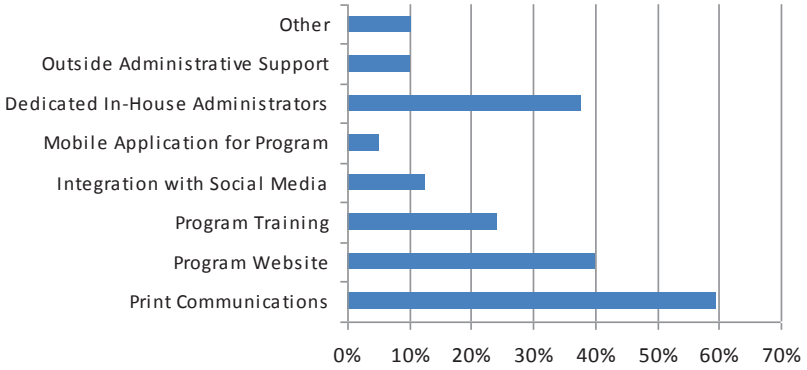
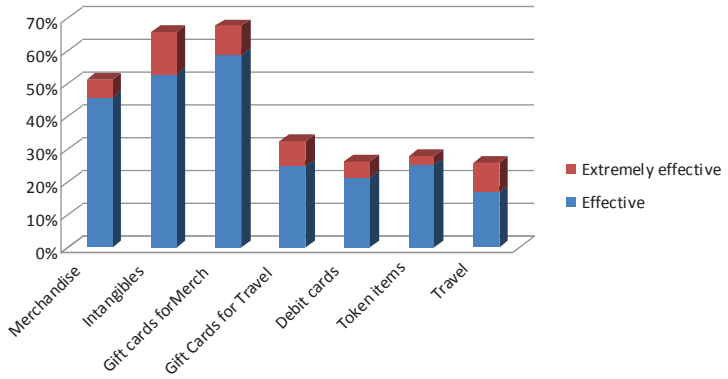
Diagram 8: Methods Used to Support Programs



Effectiveness of Non-Cash Motivators Varies by Organizational Goal

With resources, both budgetary and administrative, relatively scarce over the last few years, many organizations have taken the opportunity to re-evaluate the effectiveness of various tools and recalibrate where needed. The same can be said of non-cash reward and recognition programs. As Diagram 9-11 show, when asked how effective various non-cash reward and recognition tools were in increasing engagement, sales, and productivity within the modern organization, the HR perspective varied markedly in both magnitude and in type depending on the target population.

Diagram 9: Non-Cash R&R Effectiveness in Increasing Engagement



As seen in Diagram 9, HR owners of non-cash reward and recognition programs were very positive about the role non-cash awards play in elevating engagement within their organizations. Almost 70% reported that in their experience Gift Cards for merchandise were either extremely effective or effective at increasing engagement within their organizations. Just over 60% of respondents reported that intangibles such as time off, reserved parking spaces, etc. were in their experience either effective or highly effective in increasing engagement. Nearly half felt that merchandise was effective or highly effective. Less than a third found debit cards, token items or travel effective or extremely effective at increasing engagement.

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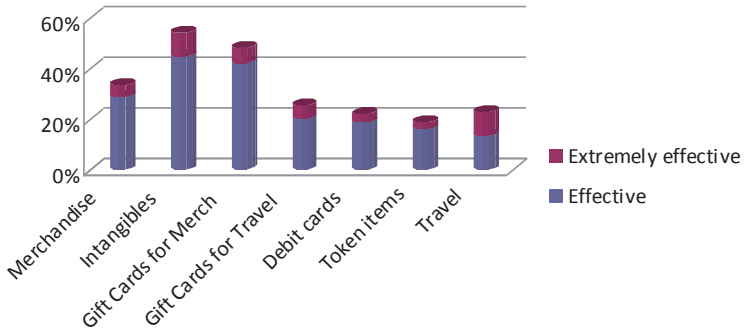
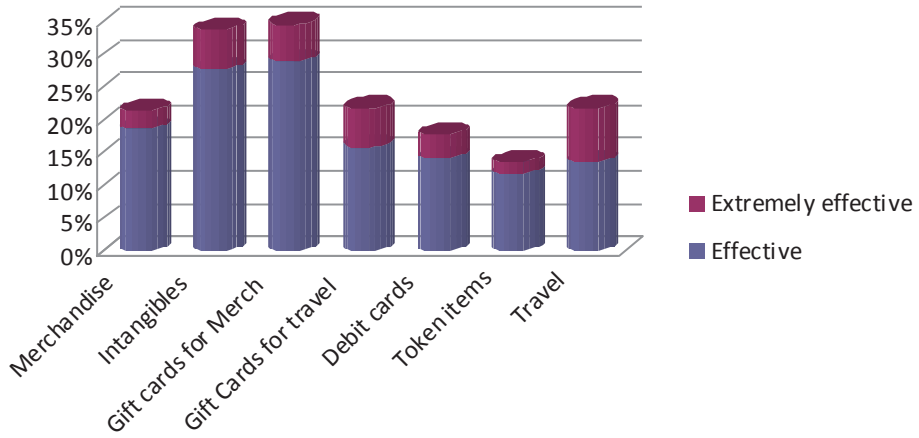
Diagram 10: More than Half Feel Intangibles Effective At Increasing Productivity



In Diagram 10, the effectiveness of these tools changed when the focus was productivity versus engagement. More than half felt that intangibles were highly effective at increasing productivity and close to half felt the same regarding gift cards.

Lastly, the scale and perceived effectiveness of various non-cash motivators shifted again when the organizational focus was motivating sales. Overall, HR program owners felt that gift cards for merchandise, intangibles and travel were the most effective non-cash motivators for increasing sales. Of important note, between 30 and 50% of respondents stated they don't know whether these tools are effective with sales, or that it is not applicable to their organization. This seems to reiterate that HR could be a more effective partner within their organizations if they understood the implications of non-cash reward and recognition for multiple populations and goals.

Diagram 11: Intangibles and Gift Cards seen as Most Effective for Motivation SALES



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Sourcing Non-Cash Reward and Recognition Tools

The last several years have also brought a very strong push by many larger organizations to consolidate spending and sourcing decisions primarily through the procurement department. Such efforts certainly prove to place downward pressure on prices, but can also lead to a change in the landscape of successful provider partners. When asked from where various non-cash resources were sourced, the answer was dispersed and dependent on the award type. In the last year, 35% of respondents had sourced gift cards for their programs from retail stores, 25% had purchased them through recognition companies, and a fifth had used an incentive company or the Internet. As Diagram 13 shows, respondent's sourced merchandise for non-cash reward and recognition programs from arguably different sources. In the last year, almost a third of respondents had purchased merchandise from a promotional products organization, over a quarter had used a recognition company, over 20% had used a retail store, and a fifth had once again used an incentive company.

Diagram 12: Gift Cards Sourced from Retail Stores, Recognition Co, Incentive Co, and Internet

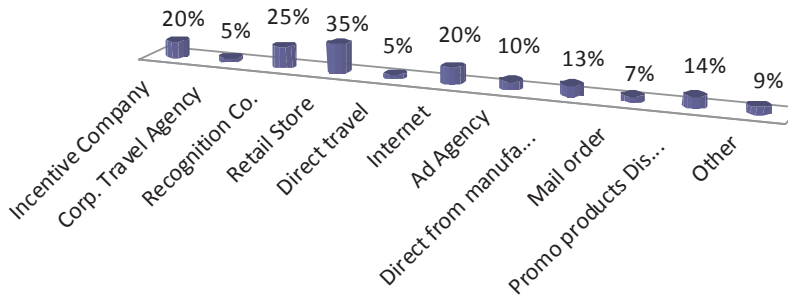
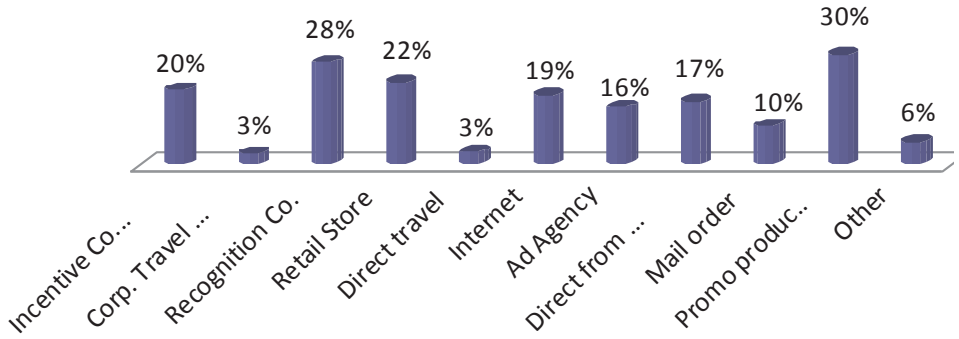


Diagram 13: Merchandise Sourced Mainly from Promo Dist, Recognition Co, Incentive Co, and Retail Store



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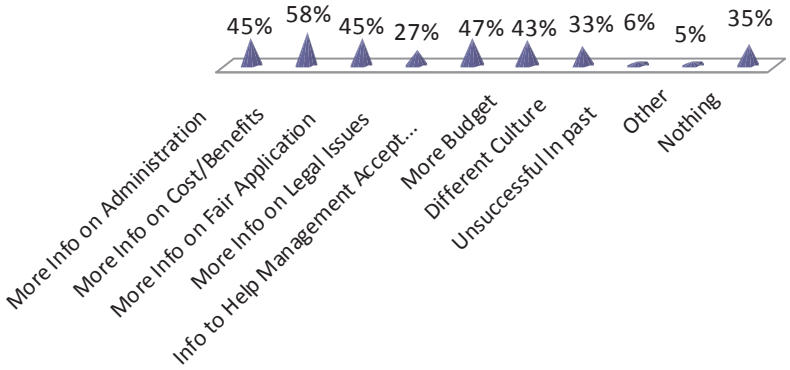
Turning the Tide: A View In To "Making the Case"

As noted in the first part of the paper, a third of respondents reported not having a known non-cash reward and recognition program within their organization. These respondents offer an important view into the lack of acceptance of non-cash rewards and recognition within organizations. They also offer interesting insight into what information might help raise the perceived level of effectiveness of non-cash reward and recognition and what tools are needed to get there. To that point, when asked, only 35% said there was "nothing" that could be done to help their organization accept non-cash reward and recognition as a motivational tool.

Almost 60% of respondents said that more information on the cost and benefits of non-cash reward and recognition programs would help build the case for these tools. Almost half said they needed more information to help management embrace non-cash reward and recognition programs as motivation tools. Forty-five percent reported it was more information on administration and fair application that would help build the case. Not surprisingly, 43% said they needed more budget to run a program. Interestingly, close to a third said that in order for non-cash reward and recognition programs to work within their organization they would need a different corporate culture all together.

Diagram 14: For Those Without Programs, What Would Help?



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Conclusions

Although recent economic years have been tumultuous, non-cash reward and recognition tools remain an important component of the HR toolbox. A high rate of overall market usage (67%), prevalent corporate support, sourcing partnerships evident in numerous market areas, and solid budgets seem to be strong indicators of non-cash reward and recognition's emerging role of importance in the new economy. Likewise, as programs have recalibrated from previous years, HR seems to have a more unified opinion on the effectiveness of these tools for increasing engagement, productivity and sales. However, the low rate of insight into sales and marketing efforts, the high rate of divisional programs, and the failure to sometimes represent more than 50% of the corporate spend, show that HR still has room to grow if it is to be a true strategic partner for non-cash rewards and recognition across the enterprise. Elevating HR to this level will, in turn, only lead to more effective programs, and likewise a more productive, engaged workforce.

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