Incentive Programs that Really Work

Even with the best intentions, some incentives never seem to deliver the employee response HR professionals would like. On paper, the programs look great and, in theory, employees should love them. But they just don't pan out. Why?

One reason: While analytical and fact-based skills are necessary to design employee incentive programs, the emotional side of the process can't be neglected. A truly effective incentive program marries company philosophy with a "feel-good" factor that can make the difference in the program's effectiveness. When handled correctly, the good feelings generated by such a program can far surpass the actual monetary value of the award.

C. Donald Williams recounts a real-life example of one such program: One day, Williams, president of the Academy of Organizational and Occupational Psychiatry, in Tysons Corner, Va., an organization concerned with the adaptation of the individual to the workplace, brought his car to the Seattle Four Seasons hotel. While his car was parked, he learned later, hotel valets noticed and repaired a damaged radiator hose.

When Williams realized what the attendants had done, he wrote a complimentary letter to hotel management. Several weeks later he again was at the hotel, and an employee told him that during the company's recent annual dinner the valet attendants were asked to stand before the group while Williams' letter was read aloud.

"That's so specific and so personal," Williams says. "I think that particular Seattle Four Seasons became symbolic for what they were out to do. That type of approach can be applied in any industry, and that's why some companies are so much better than others."

Reflecting Company Goals When recognizing employees, "Management should be specific with regard to why the contribution is important, how it benefits the organization and how it reflects positively on the mission of the organization," says Williams.

Aligning company goals and rewards is fairly standard practice at Sprint Corp., according to Gail Barnett, program administrator for the company's "Sprint Values Excellence" department in Overland Park, Kan. Barnett says Sprint's criteria for incentives and awards are almost always based on behaviors that support the company goals.

Even the way the incentives program is run fits within the company's mission and framework, says Barnett. "The reason it is successful is because it's not a management program - it's peer recognition and it is behavior-based." Each month a selection team meets to review the nominations, which are scored against the criteria. "A team of peers reviews the nominations and recommends whether the employee should receive the award or not."

At Tektronix Inc., in Beaverton, Ore., the employee incentive program targets several key behaviors that align with the corporation's business strategy, says director of compensation Pamela O'Connor. "These would include key achievements or milestones bringing employees in ahead of plan, or demonstrated performance above and beyond."
CME Inc., a continuing medical education company in Irvine, Calif., also tries to target key behaviors, says HR manager Melissa Waters. Such behaviors as reliability, meeting deadlines, being hard-working, staying long hours, undertaking a project, staying upbeat while tackling major obstacles and saving the company money all play a part in the company's end goal, she says.

At Southeast Alaska Regional Health Consortium in Sitka, Alaska, cooperation and patient care are high priorities. To reflect this, the company offers the "Caring Edge" award, which is particularly coveted, says HR director Pat Higgins.

"In our company, something that is highly stressed is how we treat each other and how we treat our patients," says Higgins. "So when employees are nominated for a 'Caring Edge' that means their conduct and their behavior are exemplary toward what the corporation or consortium is trying to achieve."

Higgins explains that the award is "open to anyone for nominations, and the employees vote on the employee who gets the award."

In addition, at regular company meetings, the company takes the opportunity to reward cooperation. "The second item on the agenda is always the recognition of employees who have done something of a positive note for the company," says Higgins. "And that's done by all the participants at the meeting, including the manager and the co-workers, thanking each other for things that have come up since our previous meeting."

Once an incentive program is set up, HR's work isn't finished; periodic maintenance is required. For example, at CME HR regularly reviews the company's incentive programs to ensure the continuing applicability of goals and accomplishments to the company's mission, says Waters.

**Executing the Program**

Selecting the behaviors to reward is obviously important, but unless you provide recognition that employees truly value, your program will have little effect.

Creating a culture fit is an important part of designing a company's incentive program. If you do not already have a clear-cut picture of your corporation's philosophy, take time to develop one. Start by asking yourself these types of questions:

- What is your organization's style?
- What do your employees respond to?
- Do they seem to enjoy large gatherings? Small gatherings? Do you know certain employees who would be mortified if singled out in front of a large group?
- Is peer recognition important to them? Or being noticed by management, or both?
It's important to clarify as many of these aspects as possible so you can decide how to plan your incentive or recognition program. For example, if your employees value peer recognition, consider mimicking some of the aspects of the Southeast Alaska Regional Health Consortium.

Or take a page from Kingston Technology Corp. in Fountain Valley, Calif., which also has a highly regarded employee-to-employee recognition program, the "Superstar" award. "Anywhere from five to 10 employees every month are selected to receive it," says employment and employee relations manager Lisa Klarin. "Poster boards are hung up throughout the company with a picture and bio of that person. One superstar is then selected randomly and given a gift basket, as well as preferred parking for a month in the reserved 'Superstar' parking space."

If employees value timely rewards, think about creative "on the spot" awards, which can be used to instantly reward desired behaviors.

Both Tektronix and Sprint use notecards to immediately recognize employees. At Tektronix, the words "You Done Good" are preprinted at the top of a card, while at Sprint the card is basically blank, so executives and supervisors can write in anything they like, just like a thank-you card. Tektronix also has other "feel-good" types of rewards, including "Go Out to Dinner With a Guest" and "Go Play Laser Tag" awards, in addition to hosting various family night events that include pizza and bowling.

In addition, key Tektronix executives walk around during the day with American Express certificates in their pockets. At any time, they may stop employees and ask them to name the seven elements of the firm's business strategy. "If you can name them," says O'Connor, "you will win a $100 gift certificate check. That's been a real nice tool to help people remember the strategy."

Don't Lose that Lovin' Feeling

To ensure that the good feelings generated from incentive programs don't turn sour, HR needs to pay attention to the details involved in executing, the plan.

At Southeast Alaska Regional Health Consortium, HR anticipated what would happen if one employee or group consistently won the awards. "We need to be sensitive to the fact that managers are going to have bias when recognizing for rewards," says Higgins. "If they only reward the same people over and over again, it's not achieving the desired goals. The goal is that you want to encourage all employees to try and reach those accomplishments."

Likewise, CME's Waters finds it detrimental if those in the background go unnoticed. "Many times the support staff feels the major player gets all the glory, and that's counterproductive," she says. "An accounts receivable clerk may provide a suggestion that saves the company thousands of dollars, or a safety officer may eliminate a potential hazard. Both can add to the cost savings and profits of the company."
Waters adds that, for incentive programs to be successful, they "must be communicated, be measurable, have realistic goals and be consistently applied. All managers and employees should be aware of their existence and how they work. Additionally, the criteria for eligibility should be published so everyone knows what it takes to be a winner."

Higgins says that no matter what awards your company offers, to be successful your rewards must be timely, frequent and - most of all - sincere.

"Too many times awards are just done because that's part of the business," he says. "Managers are out there trying to find something and it doesn't come across as sincere to employees. Employees recognize the difference between a real thanks because they've done a great job and a thanks because a manager's just trying to build up morale."

Rewards, says Higgins, must be for "something the employee believes is a real accomplishment and is really noticed by others. If you can achieve that, you're going to have a very successful recognition system."

By Claire Ginther, HR Magazine, August 2000