# Criterion

Rewards and Recognition in the Workplace:
Boosting Employee Performance & Engagement

Think of the highest performing, most engaged employee you've ever encountered. What motivated them to show up each day with the same inspired attitude? Chances are, it was more than their base pay.

Companies need to offer much more than standard compensation to engage employees across the organization. Everyone's competing for top talent. Combine that with a troubling labor shortage, and the situation becomes clear: you need to do everything you can to attract and retain the best talent possible. It's the only way to consistently drive success in your organization.

Of course, this usually means offering the best options possible in terms of compensation and benefits packages. But that alone is not enough to retain talented employees. Employee engagement   is something that happens at the cultural level.
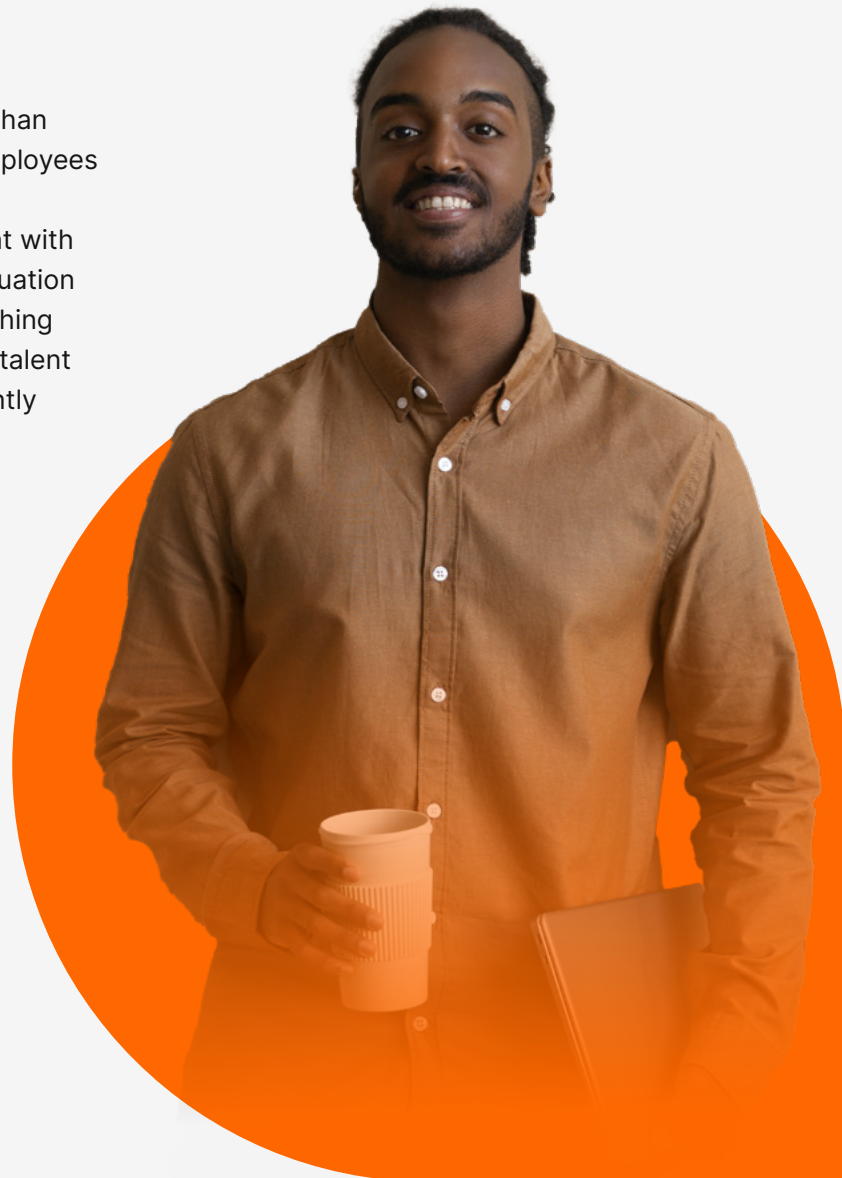
Engagement means that employees are:

- Motivated by a sense of meaning in their work

- Connected to the goals and values of the company

- Encouraged to express their ideas and take risks

- Supported to do the best work possible

- Valued by the company as individuals

But how do you help your company achieve these healthy outcomes?

There is no shortage of strategies for boosting engagement. Do some research and you're sure to find suggestions about better training and onboarding, collaboration, remote work options, and much more. While these strategies can be effective, it can be difficult to implement all of them in a short period of time. Instead, it's better to start with something more practical. Rewards and recognition programs allow companies to engage employees in a way that directly impacts their motivation and performance.

If you're looking for an engagement strategy with a strong ROI, implementing rewards and recognition into your system is a great place to start. Let's take a look at how rewards and recognition can boost employee engagement and performance simultaneously.

What Do Rewards and Recognition Look Like in the Workplace?

According to Dr. John Shields of Cambridge University, in his contributions to Work and Organisational Studies, "A reward may be anything tangible or intangible that an organization provides to its employees either intentionally or unintentionally in exchange for the employee's potential or actual work contribution, and to which employees as individuals attach a positive value as a satisfier of certain self-defined needs."

Rewards and recognition help employees feel appreciated for their contributions and connect their personal values to the values of the organization. The goal with this kind of system is to incentivize meeting certain goals or milestones within your company's performance metrics.

Rewards can take many forms: bonus checks during tax season, end-of-year bonuses, gifts, prizes, etc. Recognition may be as simple a public acknowledgment from management that an employee has done something great.

It doesn't always have to cost the company money, either. Sending a positive email costs almost nothing. Rewards can also take the form of flexible work time or the ability to work on special projects.

Recognition is simply the act of acknowledging and appreciating the hard work and achievements of employees in the workplace. This can include praising employees for a job well done or thanking them for their contributions to the company. Recognition is important, because it can help to improve morale and increase motivation among employees, leading to better performance and productivity in the workplace.

The key thing to remember is that rewards and recognition are given above and beyond the employee's base salary and benefits. The goal is to help incentivize performance and promote engagement with job responsibilities in a way that's more than transactional.

Why are Rewards and Recognition Important for the Workplace?

According to a 2018 report by SHRM and leading employee-recognition software company Globoforce, employee retention is HR's top challenge. **47% of HR professionals said employee retention/turnover is their top workforce management challenge.** Many companies are struggling to retain employees, especially in an economy characterized by a growing number of job hoppers and gig workers.

Recognition is also an integral component of successful companies. A 2018 study by HR research and consulting firm Deloitte found that high-performing companies were 1.7 times more likely than low-performing companies to have a rewards philosophy that included frequent recognition as a key part of their business strategies.

The statistics are clear — successful companies and HR departments are implementing recognition and rewards as a method to stay competitive in their market as desirable employers.

When employees are rewarded or recognized for good work, they feel valued and appreciated by their employers, which encourages a higher level of effort and productivity. In addition, rewards help to establish a culture of high performance where everyone knows what they need to do to succeed.

What's more, valued employees are more likely to stay with a company. A solid rewards and recognition strategy can help prevent turnover among employees who might otherwise leave if they don't feel respected or appreciated.

A second study by Deloitte surveying HR and other functional leaders in 1,200 organizations globally claims, "High-performing companies in the study also were 10 times more likely than their low-performing counterparts to use their employee recognition programs as a competitive differentiator."

The Deloitte study also found that recognition and rewards:

- Help motivate employees to work harder and be more productive

- Improve employee retention

- Increase employee morale

The positive outcomes of implementing a strategy like this cannot be understated. It's important for companies to develop in this area to remain competitive for top talent.

Rewards vs. Recognition: What's The Difference?

While both can be used to improve performance and engagement in the workplace, rewards and recognition are not the same thing. The effect they have on employee psychology is quite different.

Rewards are concrete items that provide benefits to employees, like cash bonuses or paid time off. Recognition is a less obvious benefit that often comes in the form of praise or public acknowledgement of an employee's work or achievements.

Rewards are tangible, while recognition is intangible. Rewards are transactional, while recognition is relational.

While many corporate incentive structures mainly utilize tangible reward systems, research from McKinsey shows that relational incentives are often more effective. In their reports, non-financial incentives such as praise and leadership had a stronger motivational effect overall than the three highest-rated financial incentives at work, such as cash bonuses.

That said, employees in a diverse workforce may be motivated by several different factors. For this reason, rewards and recognition should both be used together, as a combined strategy to leverage multiple sources of motivation.

Types of Rewards and Recognition

There are many different ways to implement a rewards and recognition strategy. What's most important is to recognize and appreciate your employees' hard work and contributions.

Here are some examples you might consider implementing in your own organization:

- **Monetary rewards** - Bonuses, salary increases, and cash prizes

- **Non-monetary rewards** - Additional time off, flexible work hours, and opportunities for professional development or career advancement

- **Recognition awards** - Certificates, plaques, and trophies that recognize employees for their exceptional performance or contributions to the organization

- **Public recognition** - Announcing an employee's achievements at company meetings, in company newsletters, or on social media

- **Employee recognition programs** - Employee of the month/year awards, that provide ongoing recognition and rewards to employees who consistently demonstrate excellence in their work

Overall, the key is to find rewards that are considered meaningful and valuable to your employees. The strategies you use should also align with the goals and values of the organization.

How Recognition and Rewards Impact Engagement and Performance

Increasing employee engagement is an important issue for business leaders. **However, data from the Harvard Business Review suggests that 82% of Americans don't feel their supervisors recognize them enough for their work.** What's more, research from Gallup has shown that employees who don't receive recognition are twice as likely to say they'll quit within the next year.

When employees are recognized for their hard work and achievements, they are more likely to feel motivated to continue performing well. This can lead to increased engagement and productivity. Additionally, providing rewards (e.g. bonuses or additional time off) can serve as an incentive for employees to go above and beyond.

Improve Employee Retention

Rewards and recognition programs can have a positive impact on employee retention. These programs can make employees feel valued and appreciated, which can increase job satisfaction and motivation. When employees feel like their hard work is being recognized and rewarded, they are more likely to be committed to the organization and less likely to look for opportunities elsewhere.

Boost Morale

Additionally, rewards and recognition programs can improve morale and boost employee engagement. When employees feel like their contributions are being acknowledged and rewarded, they are more likely to be committed to the success of the organization. This can lead to increased productivity and better overall performance, which can benefit the organization and help to retain top talent.

Create a Positive Work Culture

Rewards and recognition programs can also help to create a positive work culture, which can also contribute to employee retention. When employees feel like they are part of a supportive and positive work environment, they are more likely to stay with the organization for the long term and feel comfortable investing in doing better work for the organization.

Example: Investing in Professional Growth

One effective way to drive employee engagement is to provide opportunities for personal and professional growth. This can include training and development programs, providing access to mentoring and coaching, and creating career frameworks for employees — all providing them with a vision of their future within the company. By investing in employee development, a company can create a culture of continuous learning and growth. This can help to engage employees and motivate them to perform at their best. This is one form of reward that can have a powerful effect on performance and engagement over time.

Using This Strategy to Boost Employee Performance

To truly see the effects of a rewards and recognition strategy, you'll need to create a system for using them. Regarding performance, this system should directly incentivize employees to meet KPIs and even go above and beyond in their daily workflows.

Here are some steps to follow to create an effective strategy:

1 **Identify employee behaviors** and actions that are important for your organization to achieve its goals. These might include meeting deadlines, exceeding customer service standards, or achieving specific sales targets.

2 **Create a system for tracking and measuring these behaviors and actions.** This might involve using performance evaluations, customer feedback surveys, workforce analytics, or other specific measures.

3 **Develop a structured system** for rewarding employees who exhibit the desired behaviors and actions. This could include bonuses, promotions, or other forms of recognition.

4 **Communicate the program** to all employees, so they understand what they need to do to earn rewards and recognition.

5 **Consistently recognize and reward employees** who exhibit the desired behaviors and actions. This will help to motivate and engage employees, as well as encourage them to continue to perform well.

6 **Monitor and evaluate** the program to ensure that it is effective and achieving its intended goals. Adjust the program as needed to ensure it continues to be effective.

Using this Strategy to Improve Employee Engagement

Boosting engagement requires a slightly different approach than improving performance. In this case, rewards and recognition should act as a genuine extension of an engaged company culture.

Rather than rewarding employees only for good performance, you'll want to use these things to demonstrate your investment in your employees. For instance, you may give a holiday bonus not as a reward for performance but as a gift to show your appreciation for your employees as people. As a manager, you may also call out things you like about people in your organization (their work ethic, positivity, creativity, etc.), and encourage others to do the same.

The key is to make this feel natural, to create a culture over time within the organization that values and promotes employee engagement. This can be done at scale by encouraging open communication and collaboration among employees, providing opportunities for employees to learn and grow, and recognizing and rewarding employees for their hard work and contributions.

Rewards and recognition strategies should also align with company values and goals. You don't want to incentivize behavior that is counterintuitive to good work practices or against company values. This is where tracking behaviors in direct relation to reward structures becomes essential.

Do's and Don'ts of Rewards and Recognition

DO

Align rewards and recognition to your organization's critical business goals. Only directly reward actions that will make your organization ultimately successful.

Communicate the criteria and expectations for earning rewards and recognition clearly and consistently, to ensure that employees understand what is expected of them and how they can earn rewards.

Provide a variety of rewards and recognition options, including non-monetary rewards such as flexible work arrangements, additional time off, or training and development opportunities. This helps to ensure that employees have a range of options to choose from and can select the rewards that are most meaningful to them.

DON'T

Treat everyone the same. One size does not fit all when it comes to employee recognition. For example, one person may enjoy public recognition while another would be embarrassed by it.

Make recognition and rewards too generic or impersonal. Personalized recognition and rewards can be much more meaningful and impactful than generic compliments, so make sure to tailor your recognition and rewards to each individual employee.

Use rewards or recognition as a punishment or a way to exclude low performers. While it's true that low performers likely won't receive as many prizes as high achievers , you don't want to create a winners vs. losers attitude surrounding your incentives. It can discourage positive relationships between employees and disrupt efforts at collaboration.

Create Engaged, High-Performing Teams with Powerful HCM Software

While this strategy may seem simple to implement, consider how you can apply a consistent reward and recognition system at scale. Even a team of 50 employees would be hard to consistently engage purely by natural efforts from management. Adding any more people to the team is sure to lead to someone being overlooked.

That's the challenge facing large organizations, and it's part of the reason engagement is such a difficult area to improve. How do you tackle a problem that pervades an entire culture or system of work?

The answer: software designed to help you engage your workforce.

Human capital management (HCM) software is built for this very purpose. While there are several HCM products available on the market (each with different capabilities), they all help businesses manage their employees and human resources processes.

HCM platforms make several business tasks much more efficient and effective, including:

- Tracking employee time and attendance
- Managing employee benefits
- Running payroll
- Tracking employee performance and KPIs
- Conducting performance evaluations
- Implementing incentive programs
- Designing workflows for training and onboarding
- Managing continued learning opportunities
- Communicating with team members

By using HCM software, businesses can more easily manage their human resources and create engaged, high-performing teams. By providing tools for tracking and managing employee performance, gathering and acting on employee feedback (and streamlining human resources processes) HCM software can help businesses create a more positive and productive work environment over time.

HCM software can also help you design and track these experiences and use data to understand how effective each strategy is. It's critical to have a process for evaluating these experiences. That's one of the pillars of designing an employee incentive package that will attract top talent. Tracking performance and rewards in tandem with an HCM will allow you to create a program that will speak to your employees' needs.

Final Thoughts

Implementing a rewards and recognition program in the workplace can have a positive impact on employee performance and engagement.

By recognizing the hard work and achievements of employees, organizations can motivate their workforce and create a positive working environment. Furthermore, by providing meaningful rewards, like opportunities for professional development and career advancement, organizations can help retain their top talent and drive long-term business success.

To implement a rewards and recognition program, organizations should consider the unique needs and preferences of employees and implement strategies that speak to their motivational needs.

Criterion Human capital management (HCM) software can provide the key functionality necessary for managing rewards and recognition in many forms. With features such as performance tracking, custom training and onboarding sequences, workflows, position management, benefits administration, and more, your organization can easily engage and motivate employees at scale. You can also manage the distribution of rewards and keep track of their effect on various company metrics.

Criterion

Criterion's HCM cloud platform delivers superior useability first and foremost, combined with powerful enterprise functionality to automate hundreds of critical HR, payroll, talent engagement, and workforce management services. Awarded a 95% plus customer satisfaction rating Criterion is trusted by hundreds of leading organizations in the construction, nonprofit, government, education, franchise, and financial industries. We help you to manage your people, so you can retain your best employees and move your company into the future.

To find out more about how you can take advantage of our HCM platform

Request a demo today