Building an effective reward system

By RAFIKUL ISLAM

RECOGNITION of employees' achievements is one of the most important factors to motivate employees. A reward and recognition system elicits better performance and keeps workers focused on their job duties.

Human resource consultant Bob Urichuk says, "If you want to avoid losing your best employees and encourage others to do better, recognising them publicly may save yourself time and money and having to find and retrain a new staff. It may be hard to believe, but recognition is the most powerful motivator of all."

However, it has been observed that a poorly designed reward and recognition system may work as a demotivator to employees instead of motivating them. Many times employers waste thousands of dollars on incentive programmes that employees do not want. An effective, structured incentive programme is planned in advance and operates according to established guidelines, some of which are described below.

Selection procedure: The selection procedure can follow the following sequence: define-identify-reward. At the very outset, it must be agreed upon on what results in the organisation are to be rewarded. It is expected that the results are consistent with the organisation's business goals.

Next step involves determining the type of data to be used. Obviously, the appraisal must be based upon observable and measurable data. Then management should identify the type of reward that will be offered. The most important matter in the reward and recognition system is to ensure utmost fairness in the whole exercise.

Award criteria: The fairness in the system can be enhanced by adopting well-defined criteria in the award process. A list of salient criteria that are applicable to many organisations could be: attitude to quality, attitude to company and co-workers, teamwork and commitment, consistency with work performance, attendance and punctuality, length of service to the organisation, accuracy with paperwork, proposing or implementing innovative ideas, customer satisfaction, and helping to achieve an organisational goal.

Award timely: As little time as possible should be allowed to elapse between the action and the reward. Delay discounts any reward. In an experiment where employees in one organisation were offered US$100 (RM375) immediately or US$500 in a year, an overwhelming majority chose US$100, even though they could have increased their reward by 500 per cent by waiting.

Commensurate with level of achievement: Trying to reward all success in the same way will quickly prove counter-productive, as employees will soon wonder why they should even bother. Do not confuse employees with too many rewards; focus on few critical behaviours and results, rather than diluting them by rewarding trivial many.

It is also not good to reward sub-standard performance substantially. This is because people may become complacent and they will not push hard for attaining higher performance.

Communicate: The whole reward and recognition system (selection procedure, criteria, type of reward, etc) should be well-communicated to all employees.

Involve employees: Managers may think a particular way of appreciation as reward, but employees may think otherwise. The secret of making a reward effective is tailoring it to the individual's need. Rewards are as different as the people who receive them and it does not make sense to give the rewards that recipients don't find rewarding. So, how do managers know that something will be rewarding to employees? Well, just ask them. Personalisation of rewards sends the message that the organisation cares about its employees and their individual interests.

Managers should not recognise the way they want to be recognised, rather it should be the way the employees themselves want to be recognised.

In a recent survey that involves 505 executives working in various types of organisations in Malaysia, the author and his colleague, Dr Ahmad Zaki, found the following reward and recognition approaches preferred by the respondents (arranged in order of preference): cash reward, traveling allowance to visit overseas country, further training and educational opportunities, paid vacation (time-off), company share, more power in the job, employee of the month/year, premium certificate, job redesign, and certificate/plaque.

Don't play favourites: Don't overlook anyone. Many employees feel that the only time anyone notices their work is when they do something wrong. Recognition should not be reserved for an elite few, as it happens quite often.

Modify reward strategy: As workplaces continue to change and diverse organisational interests surface, managers will find the standard forms of reward just don't work. The reward strategies are to be regularly modified and aligned to meet business strategies and objectives.

One of the laws of psychology says if you want someone to repeat a behaviour, you should positively recognise it. Recognition is positive reinforcement. Positive reinforcement of actions gets those actions repeated. A well-designed reward and recognition system can greatly enhance morale, improve overall performance and make real contribution to a company's bottom line.

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