workhuman*

Thanks, but No E-thanks

WHY RECOGNITION NEEDS TANGIBLE REWARDS TO BE EFFECTIVE

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While everyone appreciates being thanked for their efforts, a surprising 82% of workers said their supervisors don't recognize them enough for their contributions, according to Harvard Business Review.

Organizations simply looking to check off a box may opt for a recognition program with e-thanks alone, relying on employees to provide value through thoughtful messages. If this kind of free motivation looks and feels too good to be true, that's because it is.

People like to be genuinely thanked when they work hard. Employees want specific, authentic words of appreciation. They also want recognition to be fair and equitable. To make this possible, companies must invest in a differentiated rewards experience.

A review of the intrinsic and extrinsic motivation research

There's been a lot of back and forth from organizational psychologists over the years about what kind of motivation makes the biggest impact on performance, engagement, and job satisfaction. Scholars tell us there are two types:

Intrinsic motivation comes from within the employees themselves – it's what drives them to achieve and excel.

Extrinsic motivation comes from outside, where companies or other people inspire great performance.

For decades, psychologists have disagreed about the comparative effectiveness of these kinds of motivation. In the past, studies favored intrinsic motivation and words of recognition and praise, saying they were more important in driving engagement, and arguing that rewards alone – usually in the form of cash bonuses – are transactional and might demotivate employees. They argued that extrinsically motivated employees might be more inclined to ask, "What have you done for me lately?" than to be inspired to creativity or engagement.

More recently, this has changed. Organizational psychologists now say that **extrinsic motivation, in the form of tangible rewards, is not detrimental, but is necessary to accompany intrinsic motivation**. This is particularly true for companies in which employees are encouraged to take responsibility for their performance and ownership of their engagement.

Neither intrinsically nor extrinsically motivated employees are particularly motivated by e-thanks alone.

Putting recognition and reward strategies to the test

So, what actually works? A 2018 Gartner report put it simply: “To maximize initial and ongoing interest with recognition practices and platforms, it’s recommended to tie recognition to some form of tangible reward.”

A combination of recognition and rewards – especially when associated with company values – yields the best results. In an analysis of more than 700,000 employees across 32 programs, Workhuman® research found that rewards backed with tangible value are 20% more effective than e-thanks alone in reducing turnover. The sweet spot is being able to redeem awards for a meaningful, personalized choice of merchandise or experiences.

3x

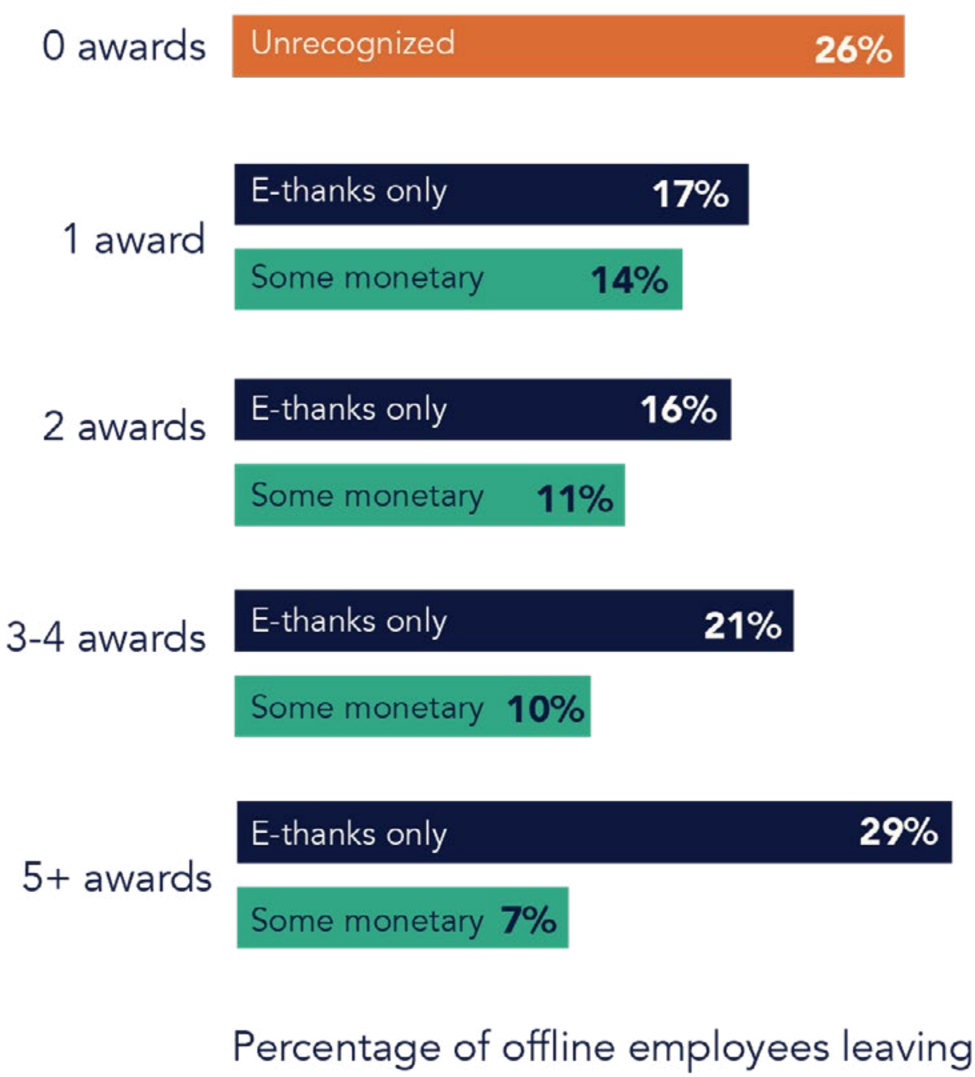
Our research shows employees who choose a tangible gift or experience enjoy 3x more perceived value from a reward than an equivalent cash-value experience.

People are more likely to use cash for monthly expenses, which are forgotten, rather than choosing a more memorable award for themselves or a family member – whether that's physical merchandise, a gift card to their favorite retailer, or an unforgettable experience.

At Workhuman, we recommend an investment of at least 1% of payroll to make a meaningful impact.

In 2017, Workhuman conducted a turnover analysis across 34 customers, totaling more than 67,000 offline workers. We found workers who received 5+ awards, with at least one having monetary value, were 4x more likely to stay with their organization. Conversely, a worker experiencing 5+ e-thanks awards became 3% more likely to leave the organization than a worker who receives no recognition at all.

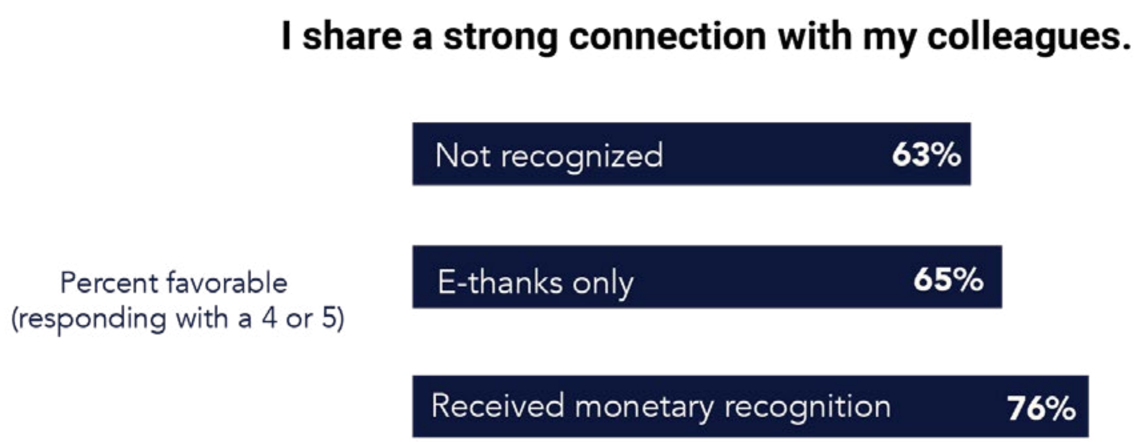
In other words, programs that consist solely of e-thanks do more harm than good.



The impact on culture and equity

Employee recognition delivered with a heartfelt message and tangible rewards is a powerful reminder to the recipient that they are valued and appreciated, and that their colleague places an explicit value on their contributions. If that same employee only received e-thanks for continually going above and beyond, it would get old fast – and negatively impact your culture.

For one Workhuman customer, a financial services organization with around 200,000 employees, 76% of employees who received a monetary award within 30 days of our survey said they share a strong connection with their colleagues. The numbers were 65% and 63%, respectively, for those who received e-thanks only and those who were not recognized at all.



There is also the question of equity. According to recent neuroscience findings, our brains are wired to detect and react negatively to experiences that are perceived to be unfair. Every e-thanks award is the same – the equivalent of a digital thank-you note.

> **The extent to which employees perceive decisions to be fair in their place of work can account for 20% of the differences in their productivity.**

MATT LIEBERMAN
Author, “Social: Why Our Brains Are Wired to Connect”

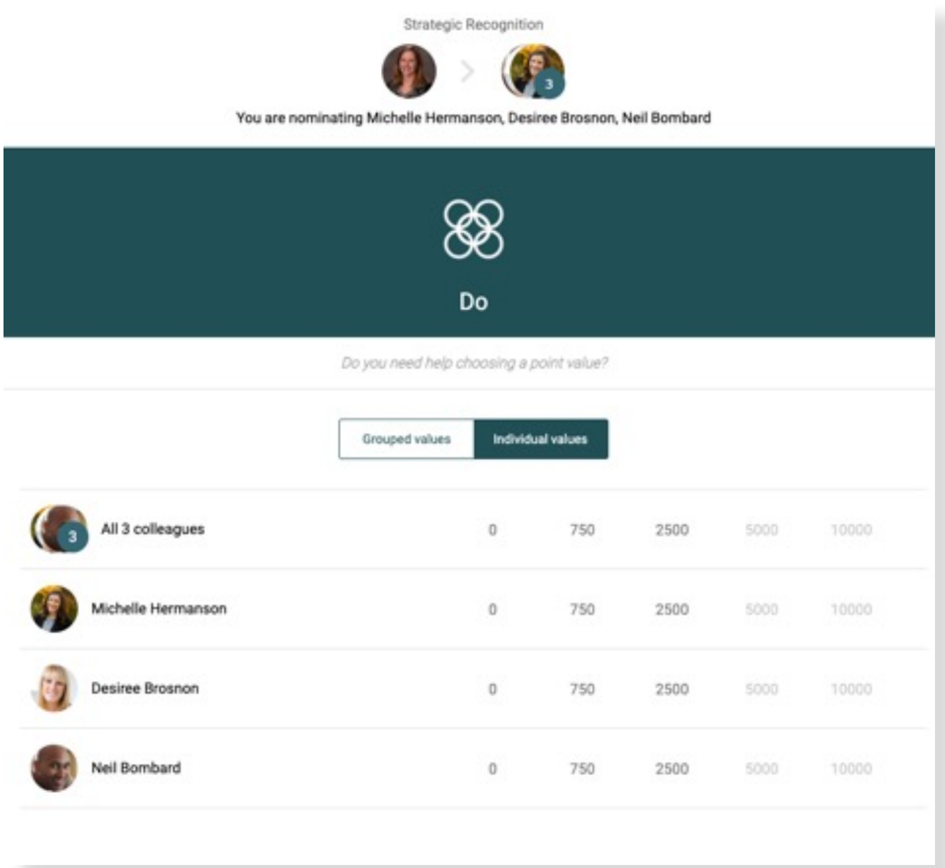
But what about projects in which one person is leading the rest and doing a significantly greater amount of work? Doesn't that employee deserve an award with higher value? E-thanks trigger this sense of unfairness because they cannot equitably account for a differentiated range of contributions.

Say, for example, someone is acknowledged for a small but important act of kindness like helping a colleague carry a heavy item to their car. In this situation, e-thanks may feel appropriate. When that same e-thanks is provided to another employee who, in addition to their regular responsibilities, raises their hand to lead four co-workers across a six-month project – saving the company half a million dollars – the experience feels unfair.

With monetary recognition, you can give that project leader 2,500 points, while their colleagues receive 750 points. These points can be redeemed for merchandise, gift cards, or experiences of their choice. And only the nominator and approver(s) will know who exactly got what, eliminating any feelings of competition or jealousy. These images from the Workhuman Cloud® nomination process show what that looks like.

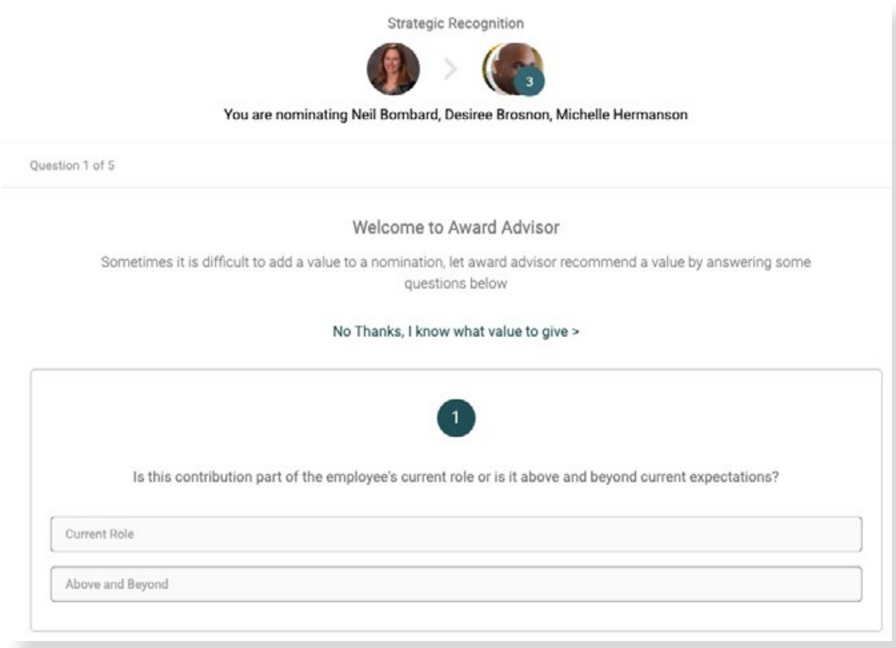
Workhuman Cloud nomination process

Selecting individual or grouped award values

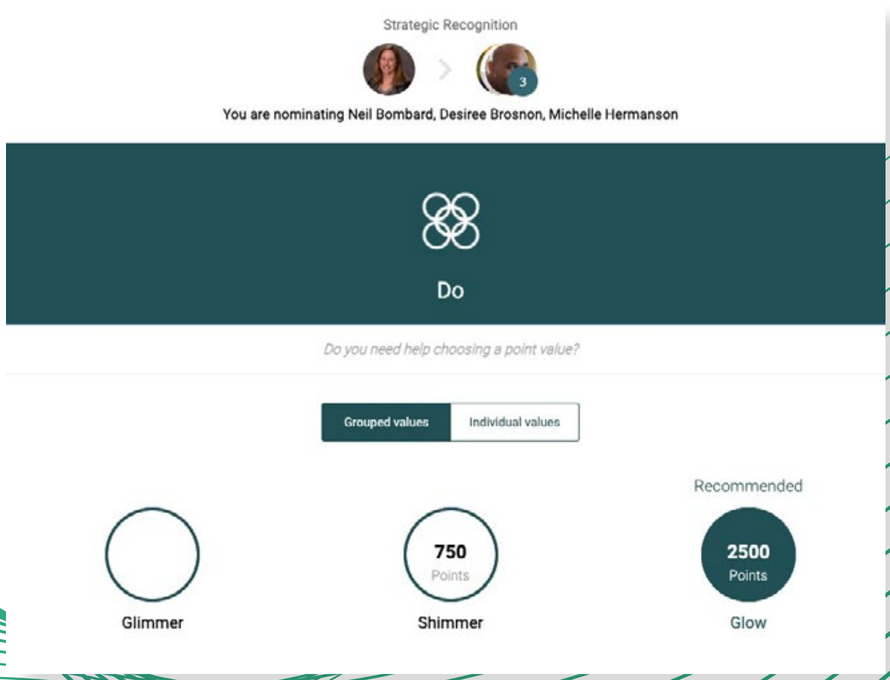


If the nominator isn't sure what is fair and equitable, Workhuman Cloud's automated Award Advisor tool can help. After the nominator answers a set of five multiple-choice questions, the system will suggest which award level is most appropriate.

Answering questions in Award Advisor



Award Advisor's recommended award value



Engineering a long-tail experience of gratitude

Social recognition earned from peers and managers, redeemed in the form of tangible gifts or experiences, can be made even more effective by engineering moments of pause, reflection, and remembrance throughout the process.

With a Workhuman peer-to-peer recognition program, employees are reminded five times:

1. **When they get the recognition**
2. **When they are congratulated publicly by colleagues**
3. **When they pick out merchandise or a gift card from the Workhuman Store**
4. **When they receive their merchandise or purchase something with their gift card**
5. **Every time they use the item or reminisce about their experience**

An e-thanks message is generally only consumed once. Moreover, if it is held alongside other moments of e-thanks that represent a differentiated set of contributions, it can serve as an awkward or painful reminder that the program is unfair.

A cash-only program is similar. And because of the fungible nature of cash, it is often lost in the monthly paycheck that a spouse or partner might put toward gas, groceries, diapers, or other expenses that are less than memorable.

Ultimately, an investment in recognition with Workhuman represents the opportunity to leverage best-in-class technology and program design that delivers measurable business impact.

Contact us to learn more about Workhuman and the important outcomes we deliver for our valued customers.

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