Leadership Framework for Strategic Management of Recognition and Reward Programs

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A Leadership Framework for **Strategic Management of Recognition and Reward Programs**

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There is wide consensus among business leaders that employee engagement is a key driver of organizational performance. Research consistently shows, and HR managers know, that an engaged workforce is more loyal, invested, and productive.[1] When employee engagement levels are high, companies enjoy an essential advantage that manifests itself in multiple forms, from increased sales to lower absenteeism, fewer accidents, higher quality products, better customer satisfaction, and enhanced innovation.[2] But despite widespread acknowledgement of its importance, engagement in the American workplace remains a pervasive challenge. Only 30% of U.S. workers are actively engaged in their jobs[3], and business leaders consistently list "improving employee engagement" as one of the top business challenges they are faced with.[4]

Recognition programs can provide a cost-effective remedy to the disengagement crisis.[5] Through formal, comprehensive programs, companies can boost the performance of individual employees and teams, while promoting a workplace culture that sets an organization apart from competitors. However, these programs can be fraught with pitfalls. A lack of clear goals and leadership buy-in, poor alignment with corporate values, ineffective communication, limited employee involvement, and outdated technology are repeatedly cited as reasons why recognition programs fall short on delivering on their promises. A close look at the barriers for long-term success in recognition programs invariably reveals two core themes: shortfalls in effective leadership and strategic management capacity.

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Our experience with leading companies across various industries has taught us that in order to maximize impact, recognition programs have to be strategically positioned in the organization, as well as effectively managed from the early stages of their development. Getting employees to embrace rewards and recognition programs, and leadership to support them, requires that managers understand and integrate the various moving pieces involved. Furthermore, it requires that managers excel in essential leadership skills, which are widely communicated in strategic management publications, but often overlooked as they apply to the art and science of rewarding and recognizing people in the workplace.

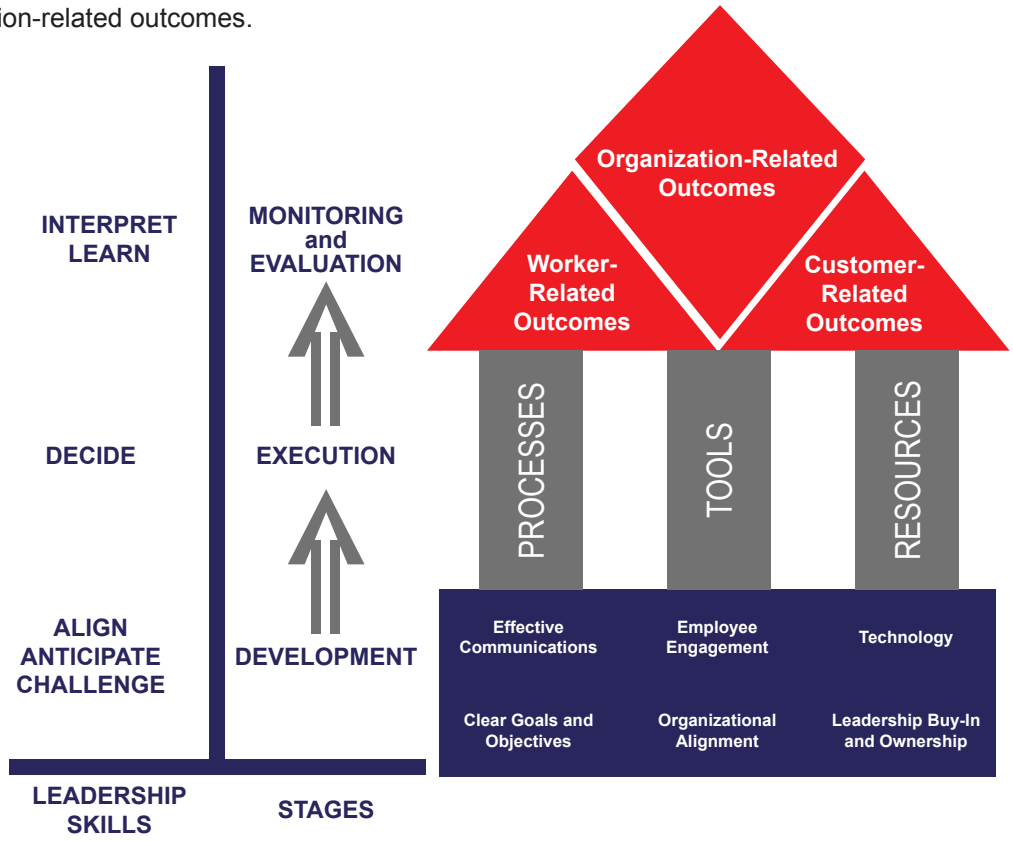
[1]SHRM/Globoforce (2013). Driving stronger performance through employee recognition.
[2]Gallup Q12 Meta Analysis: The relationship between engagement at work and organizational outcomes. Retrieved from http://www.gallup.com/strategicconsulting/126806/Q12-Meta-Analysis.aspx

We propose a leadership framework that aims to guide the strategic management of recognition programs. Our framework consists of three main components: ***foundations, operational pillars***, and ***performance***. These components are organized according to the evolutionary stages of recognition programs, and are each divided into several sub-components.

Foundational elements are infrastructural and organizational prerequisites that need to be secured, especially during developmental/planning stages. There are six foundational elements that successful recognition programs possess: clear goals and objectives, strategic and operational alignment, leadership buy-in and ownership, effective communications, employee engagement, and effective use of technology.

Next, we describe ***operational pillars*** that are critical during the execution/implementation stage. Processes, tools, and resources are the key elements at this stage. Establishing an efficient flow of activities and providing adequate human, physical, technological, and financial means to carry them out will ensure that rewards and recognition delivery is consistent with the program plan.

Finally, the ***performance*** component relates to the monitoring and evaluation stages. During these stages, leaders should strive to ensure program sustainability and continual improvement. The performance component can be divided into worker-related, customer-related and organization-related outcomes.



[3]Gallup (2013). State of the American Workplace: Employee Engagement Insights for U.S. Business Leaders. Retrieved from http://www.gallup.com/strategicconsulting/163007/state-american-workplace.aspx
[4]Aberdeen Group (2012). Saying "Thank You": How employee recognition drives organizational performance.
[5]Accelir (2013). Rewards & Recognition: 2014 trends report.

While a range of hard and soft skills is required to successfully manage recognition programs throughout their life cycle, our framework links essential leadership skills to specific components and stages.[6] This framework is not meant to provide an exhaustive list of desirable characteristics; rather, it should act as a starting point that managers can build upon to become more effective in leading and gaining the necessary support for formal recognition programs in their organizations.

Foundations

The importance of the foundational components to the success of recognition programs cannot be overstated. The elements described in this part of the framework are the cornerstones of effective programs, providing the basis for optimal impact and performance. Conversely, when one or more of the foundational elements are missing, the entire program structure may be undermined. As managers prepare to implement a recognition program or reformulate/expand existing programs, it is crucial that they ensure all of the foundational elements are addressed and integrated with each other. Arguably, building a strong foundation is the biggest challenge faced by organizations during the process of creating a recognition and rewards program. To be successful in navigating this ***challenge***, leaders need to ***anticipate*** threats and opportunities, as well as continuously challenge the status quo and ***align*** the interests of various stakeholders.

Clear goals and objectives:

Employee rewards and recognition programs should begin with an end in mind. Understanding the gaps that need to be filled and establishing clear targets is usually the first step of any strategic management cycle, and a key activity undertaken by effective leaders. Surprisingly, companies often implement recognition programs with limited consideration to specific employee behaviors they aim to promote and organizational objectives they aim to achieve. As a result, employee recognition may become an isolated tactic rather than a strategic imperative.

Having clear goals and objectives is absolutely necessary to attract executive sponsorship and bring about long-term program sustainability. When defining objectives, managers should involve key stakeholders in order to ensure that programs, policies, and activities will be relevant to decision-makers and participants alike.

Organizational alignment:

The impact of a recognition and rewards program is ultimately determined by the program's alignment with corporate goals, values, and culture. Each organization presents unique characteristics and competitive positioning in the market; likewise, workforces vary widely in demographics, psychographics, and skill profiles. Successful recognition programs account for the specific characteristics of the workforce and the dynamic nature of the workplace. When planning a recognition program for lasting success, managers have to strike the correct balance in incentive design, making sure that strategies align with what the company stands for and the direction it is headed.

[6]Shoemaker PJH, Krupp K, Howland S (2013). Strategic leadership: the essential skills. Harvard Business Review.

Linking employee performance to recognition and rewards, however, is a challenging undertaking. If loosely planned, programs can result in undesirable behaviors and unanticipated consequences, such as employee withdrawal and disengagement. But when employee recognition programs are properly integrated into work processes and individual and team incentives align with business unit performance targets, optimal results can be achieved. The challenge at the development stage is to select appropriate metrics so that individual and team performance won't unintentionally result in systemic harm. For instance, recognizing sales representatives based on sales productivity alone may be harmful to customer relationships and satisfaction.[7]

Leadership buy-in and ownership:

The success of recognition programs is closely tied to leadership commitment at all levels. Senior leadership support is both the top priority and most significant barrier for formal recognition programs.[8] Buy-in from senior leadership guarantees that sufficient priority is given to carrying out the proposed plan, and adequate resources are set aside. Making a compelling case for program uptake or expansion is essential to obtain commitment from senior leaders. This can be best accomplished by presenting concrete data that demonstrates the need for and value of a formal recognition and rewards program in the organization. Gaining buy-in from frontline managers is also critical, since they often hold the keys to program dissemination and ultimately drive the culture of recognition across the workforce.

In addition to buy-in, encouraging ownership is also essential for recognition and rewards programs to be successful. Ownership is achieved when people feel they have taken an active role in the process, and believe that decisions are in line with their own values and beliefs. Sharing ownership of ideas, asking leaders for their frequent participation in the planning process, and incorporating feedback from various sources are the most powerful ways to obtain broad-based support for a recognition program.[9] Maintaining sufficient leadership buy-in and ownership is integral to the performance of recognition and rewards programs in the long run. Therefore, rather than a one-time activity, obtaining buy-in should be an ongoing commitment of program managers.

[7]Best Practices, LLC. Performance Measurement, Rewards and Recognition: aligning incentives with strategic and operational goals.
[8]Aberdeen Group (2012). Saying "Thank You": How employee recognition drives organizational performance.
[9]Sodexo Motivation Solutions: Achieving buy-in and ownership.

Employee engagement:

While top-down support is indispensable, bottom-up mobilization is an equally important foundation for the strategic management of successful recognition and rewards programs. In the planning/development stages, having employees participate in formative committees enables managers to better understand the needs and preferences of their workforce, and thus shape the recognition strategies for optimal impact. It also creates a sense of involvement that translates into higher participation rates and program satisfaction after implementation. Getting employees' input during the monitoring and evaluation stages allows for faster improvement cycles, creating a responsive system that adapts more effectively to the dynamic nature of the organization. Successful recognition programs consistently place employees at center stage, and leaders should give employees an active voice during all steps of the strategic management cycle.

Effective communication:

Communicating the objectives, structure, and results of recognition and rewards programs to stakeholders both within and outside the organization is integral to success. Leaders should excel at connecting employees, managers, vendors, and other stakeholders, making sure that the program remains reflective of their needs and preferences as it evolves. Communication connects all of the elements of the framework along the management continuum, thus influencing the functioning of the entire system.

Effective communication entails not only careful consideration of the target audience and message content; it also considers how, why, when, and where the communication takes place. Managers should be familiar with available communication tools, and select the most appropriate media for the objective at hand. Timing of communication is key, as well as messaging consistency over time. As a rule, effective communications are targeted, accurate, relevant, persuasive, and timely. When any of these key attributes of effective communication are lost in the pool of competing work priorities, shortfalls in program performance can occur.

Technology:

Technology plays a fundamental role in all stages of recognition programs, from planning to execution and evaluation. This is not surprising, given that the utilization of online tools, mobile applications, and social media is fast becoming the norm. At the planning stage, technology enables managers to customize programs so they reflect the company's values and culture, while providing consistency and expanding the program's reach.[10] During formative stages, technologies such as online and mobile data collection tools can help gather insight into the needs and preferences of the employee population. At the implementation stage, digital platforms can support the delivery of recognition and rewards on a daily basis, as well as streamline communications between peers and across hierarchy levels. Finally, technology enables managers to monitor program performance and evaluate progress in real time, which can serve as a basis for continual improvement. Due to its high utility in all stages of the management cycle, leaders should approach technology as a key foundational element, and harness its power to increase program effectiveness and impact.

[10] Aberdeen Group (2012). Saying "Thank You": How employee recognition drives organizational performance.

Operational Pillars

With targets and metrics in place, companies are next faced with the challenge of executing the program according to plan. At this stage, success is mainly driven by three operational pillars: ***processes, tools, and resources***. Together, these elements determine a company's ability to efficiently deliver a recognition and rewards program and monitor progress over time.

Well-structured ***processes*** are important to create an accountability system for the many activities that comprise a recognition program, from planning to operationalization and evaluation. Moreover, designing an efficient workflow leads to optimal resource utilization, and ultimately to business outcomes being achieved at lower costs.

Appropriate ***tools*** can connect key activities seamlessly, thus facilitating managerial work and enhancing the user experience. For example, the use of online platforms to deliver rewards and incentives allows for high levels of customization according to the profile of the workforce, while also enabling managers to monitor progress in real-time.

Finally, ***resources*** provide the means to carry out program tasks at optimal standards. To set up recognition programs for success, adequate financial, human, physical and knowledge resources must be provided to departments and business units. Commonly, recognition programs fall short in their objectives due to insufficient staffing, ineffective knowledge management, and a lack of a dedicated budget to continuously carry out the strategy. With this in mind, it is important to note that recognition programs do not have to be expensive or resource-intensive to be effective. Customizable e-cards from peer workers, for instance, are a highly popular yet inexpensive means for employees to recognize each other.

As depicted in our framework, operational pillars sustain program performance. At this stage, leaders are required to decide wisely about potential course corrections and process improvements, considering the trade-offs involved and balancing near-term compromises with long-term goals.

Performance

Companies that invest in recognition programs are generally looking to improve worker performance and deliver higher value to customers, all of which translates into benefits for the organization. The performance component of our leadership framework entails three elements: ***worker-related outcomes, customer-related outcomes,*** and ***organization-related outcomes***. While the expected results of recognition programs will vary according to company characteristics and pre-defined objectives, most fall into these three categories. The chart below highlights some of the potential outcomes of a successful recognition and rewards program:

Worker-Related Outcomes	Customer-Related Outcomes	Organization-Related Outcomes
Higher engagement Talent retention Increased productivity	Higher satisfaction Increased product quality Better customer service	Improved sales Cost reduction Higher profitability
Lower absenteeism Fewer accidents Improved innovation	Higher customer loyalty Improved end-user experience Higher intent to recommend	Enhanced organizational culture Improved brand recognition Positioning as employer of choice

As suggested by the framework, obtaining high performance and positive value on investment is a function of the integration of all operational and foundational elements. Performance should be monitored on an ongoing basis, and programs should be frequently evaluated for opportunities for improvement. Finally, at this stage, leaders are challenged to interpret complex and often conflicting information, as well as **learn** from successes and failures.

Assessment of Strategic Leadership Practicesf or Effective Rewards and Recognition Program Management

The checklist below can help HR managers assess the alignment of key leadership elements that drive the performance and sustainability of rewards and recognition programs. The more statements that match practices in your workplace, the more your organization is likely to be effective in managing its rewards and recognition programs.

- ☑ Our program has clear goals and objectives for the short and long run.
- ☑ Our program is aligned with corporate goals, values, and culture.
- ☑ Senior leadership and middle managers are aware and supportive of our program.
- ☑ We consistently communicate information about the objectives, structure, and results of our program to stakeholders both within and outside the organization.
- ☑ Employees are actively engaged in decision-making about our program.
- ☑ We incorporate technology tools to support program delivery and management.
- ☑ We have well-defined, efficient processes for program implementation and monitoring.
- ☑ We provide adequate tools to support program activities.
- ☑ We provide adequate financial, human, physical, and knowledge resources to carry out our program.
- ☑ We frequently evaluate program performance, and act upon the results of evaluations to continuously improve.

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