



The PROBLEM with EMPLOYEE REWARDS... and it is NOT just one!

Before we continue – it is important to clarify how we distinguish between employee rewards and employee recognition;

- **Employee rewards:** Refers to something of monetary value – for example a cash incentive or a gift voucher, used to reward employees for good behaviour.
- **Employee recognition:** Refers to an action that conveys a “thank you” – usually this has negligible or no cost involved, and it is used to recognize employees for good behaviour.

R = Repeatability

- Rewards are generally one of the first “luxuries” to go when a company needs to tighten its belt. Removal of this perceived benefit could significantly demotivate employees, causing the desired behaviour to disappear as well. You have to consider very carefully your ability to sustain it in the long run (not just during the “good” times).

E = Encouraging the wrong behaviour

- The desire for the reward could drive employees to exhibit undesired behaviour – finding loop holes, cutting corners or double crossing their colleagues just to get to the reward. Your culture should be one of excellence. Employees are getting paid to do their job, so be very careful to not reward them for what should in fact be the standard.

W = Waning value

- Simply compare how that first drive in your brand new car felt versus how it feels when you drive it for the thousandth time – not as exciting anymore, is it? At some point in time your reward will lose its ability to motivate the same kind of effort and excitement as it initially did, leaving you in a never ending position of having to continuously increase the monetary value related to it (and we have not even broached the subject of keeping up with inflation).

A = Administration

- Who is going to organize the availability of the funds, the purchasing of the gift etc. every single time? How intensive or complex is this organizing process? Will it be the first thing to fall behind when “more important” tasks loom? Can you guarantee that cash will always be available or that available funds will be prioritized for this purpose? How will this be accounted for in the accounts?

R = Root cause identification

- Consider very carefully why you are implementing a rewards system – what are you trying to achieve? And are you sure you can achieve it in this manner? A company sometimes implements an incentive scheme for their sales people with the hope to increase their sales, when in fact sales are being hampered by the quality or price of the product and not by the effort of the sales people. Now, instead of identifying and



addressing the root cause, they effectively insult their sales people by implying that they are not already delivering their best efforts and that their best efforts can only be bribed out of them.

D = Diversity

- Are you certain that the reward you have chosen will really be considered a reward by all of your employees? They live in different areas, have different interests and are motivated by different things. If, as an example, we are considering clothing, then the differences in shapes and sizes need to be considered as well. Choosing the wrong gift for the right person could significantly demotivate employees.

S = Selecting the right recipients

- Who do you reward? The person who came up with the idea? Or the person who executed it? Is it the sales guy who closed the deal or the 100 employees involved in the manufacturing process or the buying department that made sure that all the components were there on time or the despatch department that made sure it got to the customer on time that should be rewarded? Remember that in most instances every employee is only one link in a long chain that needs to work together to achieve the desired end result, so make very sure that your reward system encourages team work. Consider very carefully your judging process – do you reward based on the idea being generated or the execution of the idea or the end result of it? Be very careful that you do not start sending a message through your actions that the small steps in the right direction are not valued. Many small things can make an incredibly huge difference. We would also caution you to be very wary of playing ideas off against each other. You are treading on very dangerous ground if an employee's idea was not the best compared to the others this month, but would have been the best compared to the others of last month or the next. Again this can demotivate employees or cause them to delay raising their ideas or executing improvements until such time that they believe they can “win”.

This does not mean that there is no place for employee rewards, but we believe that they are better employed in a way that surprises and delights employees, utilized as the exception rather than the rule.

Recognition has much fewer pitfalls, but one very important key to its success is that you **MUST** be honest when applying it! Make sure that you are consistent with your recognition and give it a personal touch with a handwritten thank you note and / or personal hand shake from the big boss for example. It is a powerful mechanism that can also strengthen the relationship between the various management levels.

We consider employee recognition to be one of the key drivers or enablers of continuous improvement. It can facilitate employee commitment and encourage participation. It is a cost effective, valuable and appropriate way of recognizing a wide range of “good” behaviours and you can have fun with it as well to celebrate a huge variety of successes.

Our Continuous Improvement and Supply Chain experts are assisting businesses in and around Cape Town to Continuously Improve and Adapt To Change. With more than 40 years practical experience – we know how to reduce your costs and make your business better!

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