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Employee Reward and Recognition Systems

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Human Resources / Rewarding Employees

Take-Aways

- To attract talent and motivate employees, even small businesses are developing reward and recognition systems.
- Rewards systems motivate through financial incentives including bonuses and stock options.
- Recognition systems can enhance performance through the psychology of appreciation.

Recommendation

For many small business owners and entrepreneurs, employee reward and recognition programs might seem like something best put off for later – after the firm has grown. But according to this article, reward systems give small firms an advantage in attracting, engaging, and retaining talent. The article doesn't go into the specifics of reward program design and addresses only a small range of nonfinancial recognition options. Nevertheless, it offers a solid overview of the fundamentals and an excellent place to start an investigation of the subject.

Summary

To attract talent and motivate employees, even small businesses are developing reward and recognition systems.

In an environment of tight competition and low unemployment, employee rewards and recognition can give entrepreneurs a boost in attracting, motivating and retaining talent. Just like larger firms, though, start-ups should design their reward systems thoughtfully. Rewards and recognition systems should align with company values and goals and should encourage the behaviors they want from the workforce.

“Companies frequently make the mistake of rewarding behaviors or achievements that either fail to further business goals or actually sabotage them.”

Good reward and recognition programs spur employees to achieve precise, measurable goals that stretch their abilities but remain within their capabilities. Firms should communicate the purpose and rules of the program clearly, and select goals and rewards that align with corporate objectives or desired behaviors.

Rewards systems motivate through financial incentives including bonuses and stock options.

Reward programs may offer employees cash bonuses, stock options, profit shares or any combination of the above in return for achieving clear, measurable performance or behavioral goals. Small firms can make these rewards pay for themselves by tying the value of the reward to the level of contribution – increased sales, for example, or cost savings from new efficiencies. Importantly, firms should separate rewards from compensation to avoid creating a sense of entitlement among employees.

Recognition systems can enhance performance through the psychology of appreciation.

Like reward programs, recognition systems exist to nudge employees toward higher performance. They differ, however, in that they leverage employees' intrinsic motivation and need for appreciation. Award ceremonies, employee-of-the-month programs and other forms of recognition can motivate and highlight desired behaviors.

“Noncash award programs work better than cash in such cases as reinforcing organizational values and culture, improving teamwork, increasing customer satisfaction, and motivating specific behaviors.”

While simple appreciation and plaques work well, firms should consider the scale of employees' efforts and contributions when determining the extent of appreciation warranted. Where merited, tangible noncash rewards should accompany recognition. Gift cards and time off, choice of assignments, additional autonomy or flexible work options represent just a few of the noncash recognition options available.

About the Author

Inc. is an American business magazine serving the small and private business community. *Inc.* was founded by Bernie Goldhirsh, and its first issue appeared in April 1979.



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