

## **COURSE: REWARD MANAGEMENT**

### **LECTURE 3: RECOGNITION SCHEMES**

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#### **Lecture learning outcomes:**

**At the end of the lecture, you will be able to:**

- i. Understand what recognition schemes are
- ii. Discuss various types of recognition schemes
- iii. Examine the principles of recognition

#### **RECOGNITION SCHEMES**

Recognition schemes acknowledge success. They can form an important part of a total reward approach. They complement direct financial rewards and can therefore enhance the reward system. Recognition schemes are based on the belief that taking steps to ensure that people's achievements and contribution are recognized is an effective way of motivating them.

Recognition schemes enable appreciation to be shown to individuals for their achievements either informally on a day-to-day basis or through formal recognition arrangements. They can take place quietly between managers and individuals in their teams or be visible celebrations of success (Armstrong, 2010)

A recognition scheme can be formal and organization-wide, providing scope to recognize achievements by gifts or treats or public applause. Typically, the awards are non-financial but some organizations provide cash awards.

A recognition scheme as defined by Michael (2021) as typically providing for 'non-cash awards given in recognition of a high level of accomplishment or performance, which is not dependent on achievement against a given target'. A recognition scheme can be formal and organization-wide, providing scope to recognize achievements by gifts or treats or by public applause. Importantly, recognition is also given less formally when managers simply say 'Well done', 'Thank you' or 'Congratulations' face to face or in a brief note of appreciation.

#### **Benefits of recognition schemes**

Recognition schemes can:

- enable people's achievements and contributions to be publicly acknowledged and provide an effective way of motivating them
- complement and reinforce financial rewards as part of a total reward process
- increase engagement by demonstrating that the organization values its employees

- provide rewards for the average performers who are the core contributors in a business and may not benefit much if at all from performance pay
- provide ways of rewarding teams as well as individual effort and contribution
- give line managers the means to provide their people with instant rewards for achievement or contribution rather than making them wait until the end of the year for a possible performance pay increase.

### **Principles of recognition**

The principles that need to be borne in mind when developing recognition schemes are that recognition:

- should be given for valued behaviours and exceptional effort as well as for special achievements;
- is about valuing people; it should be personalized so that people appreciate that it applies to them
- should be personal and face to face but can be supported by a handwritten thankyou note
- needs to be applied equitably, fairly and consistently throughout the organization
- should take place frequently
- should be provided in a way that makes everyone feel they have the opportunity to be recognized
- can be provided simply through being nominated for an award, but be careful about the use of panels to sift nominations – to be rejected by a panel after being nominated can be very demotivating
- must be genuine, not used as a mechanistic motivating device
- should not be given formally as part of a scheme if the achievement has been rewarded under another arrangement, for example a bonus scheme;
- needs to be given as soon as possible after the achievement
- should be available to all – there should be no limits on the numbers who can be recognized
- should not be predicated on the belief that they are just about rewarding winners – Kohn (1993) argues against any such system because, ‘for each person who wins, there are many others who have lost’
- should be available for teams as well as individuals to reward collective effort and avoid creating isolated winners
- should not be limited by the amount available for awards – recognition can indeed be reinforced by awards, but simply saying ‘thank you’, privately and publicly (applause), can be very effective
- should not be based on an over-elaborate scheme

## **Types of recognition**

### **Day-to-day recognition**

The most effective form of recognition is that provided by managers to their staff on a day-to-day basis. This is an aspect of good management practice in the same way as getting to know people, monitoring performance (without being oppressive) and providing positive feedback. It is provided orally on the spot or in a short note (preferably handwritten) of appreciation, and should take place soon after the event (not delayed until an annual performance review). It must be genuine – people can easily spot insincerity, or someone simply going through the motions. This type of recognition should be a natural part of the daily routine. The organization should aim to develop a recognition culture that is nurtured by the management style of senior managers and permeates the organization through each level of management so that it becomes ‘the way we do things around here’. Managers can be encouraged to adopt this style, but this should be more by example than by precept, not the subject of a scheme, process or system.

### **Public recognition**

Recognition for particular achievements or continuing effective contributions can be provided by public ‘applause’ through an ‘employee of the month scheme’ or some other announcement using an intranet, the house journal or notice boards.

### **Formal recognition**

Formal recognition schemes provide individuals (and importantly, through them, their partners) with tangible forms of recognition such as gifts, vouchers, holidays or trips in the UK or abroad, days or weekends away at hotels or health spas, or meals out. Some schemes also provide cash awards. Team awards may be through outings, parties and meals. Such schemes may be centrally driven, with formal award ceremonies. Managers and employees can nominate individuals for awards. If the awards are substantial, organizations can set up a recognition committee with employee representatives to agree on who should be eligible, thus ensuring that decisions are transparent (Armstrong,2010)

### **Examples of non-cash awards**

Some ideas for non-cash awards include:

Basket of fruit, books, bottle of champagne (with a personalized label), cinema or theatre vouchers, dinner out for two (include a taxi and a babysitter), experience days (eg hot air balloon ride, or a day at a health and beauty spa), flowers (delivered to the workplace or at home), food hamper, Fridays off for a month, gift certificates, jewellery, personal letter from the chairman or chief executive, plaques or certificates, points-based catalogue gifts, retail shopping vouchers, tickets to a concert, theatre or sports event, trip for two to Amsterdam, Barcelona or Paris, trophy (passed from one person to another), weekend in a hotel for two

## Designing a recognition scheme

The principles discussed should be borne in mind when designing and implementing a recognition scheme. Line managers and employees should be consulted, guidelines prepared and explained to managers, and the details of the scheme publicized. The implementation of the scheme should be monitored and steps taken to maintain the impetus – managers can lose interest. Progress reports should be made to employees so that they know that the scheme is working well

### Examples of recognition schemes

**British Gas-** Recognition awards at British Gas are focused more on behaviours than financial results, say, which should be recognized by the bonus scheme. There are several levels of recognition, none of which involve cash awards. These are:

- everyday recognition from the line manager who says ‘thank you’, either by means of a personal note or at a team meeting
- site/directorate level
- British Gas-wide and Centrica-wide recognition. It is intended that a minimum of 20 per cent of staff should be recognized by their line manager; current rates are around 40 per cent. Three-hour workshops are being run to help line managers understand the benefits of recognition and how to do it.

**Camelot** -The company believes that it is important to reward staff as near to the event of exceptional performance as possible, so it has put in place a recognition scheme to provide instant rewards. Managers and the staff consultative forum were involved in designing the scheme. The recognition scheme, called Above and Beyond, rewards ‘one off, exceptional, performance that is not part of the normal job’. Managers make their nominations online and they are approved almost immediately. The employee is then informed and can spend the reward, in the form of points, straight away. Awards average £50, but range from £10 to £200. The company’s recognition budget is £25 per quarter per employee, so there is an expectation that most staff will get at least one award each year. Staff can ‘spend’ their awards on goods or retail vouchers or add them to their own money to buy big items such as holidays. Rather than train all the managers, the company used ‘champions’ to roll out the scheme. These could be employees at any level, who were trained and briefed to explain the scheme to everyone else.

**Comet** -The company distinguishes between ‘recognition’ and ‘reward’. For Comet, recognition is that part of total reward that is not ‘promised’ and is also typically non-cash, although some of its recognition programmes use cash. It recognizes the accomplishment of ‘extra mile’ performance rather than everyday behaviour. The recognition principles are as follows:

Our schemes should recognize exceptional behaviours, ultimately building greater ‘trust’ at Comet.

- Recognition should drive the individual needs/success criteria of the business area.
- We should provide some corporate direction on recognition to drive consistency, but aim to retain the essence of spontaneous, local-led recognition.

- Our aim is to have a recognition solution across each business area and at each level – that is, colleague-led, manager-led and company-led.
- The reward team oversees all recognition initiatives to ensure branding, consistency and the achievement of principles without seeking to control and push responsibility to line managers. Recognition is tied to Comet’s four key behaviours. An internal company document states: When you see a demonstration of great individual attitude, care for every detail, deep knowledge, or a colleague with a passion for service, make sure the behaviours are recognized. Your recognition initiatives could be linked to encouraging the behaviours and our core value of being trustworthy. Remember that colleagues living our values of being trustworthy make a difference to our business

### **Key aspects to note**

- Whatever scheme you choose, make sure you can apply it fairly and consistently. Apply it to those who really deserve it, and remember to look for a ‘well done’ or a ‘thank you’ for everyone.
- For recognition to have any real value it must be genuine. Ensure that it is real, spontaneous and appropriate to what someone has done.
- Involve everyone in recognition; empower the whole management team to recognize people formally, and encourage all colleagues to recognize each other.
- Recognizing great behaviour as soon as it happens is the most powerful approach. Shout about great achievements and great behaviours.
- Public recognition can let others in the business know what has been done, and make a colleague feel proud. Award schemes, newsletters and notice boards are all great ways to publicly recognize achievement. But remember that not everyone likes public recognition.
- A lot of genuine recognition is simple and costs nothing, such as a thank you, a letter, or a photo on the wall. But sometimes spending wisely to treat the team to a meal or a day out can go a long way.

### **References**

Armstrong, M (2010). Handbook of reward management practice (Improving Performance through reward). Kogan Page Limited

Rose, M (2001) Recognising Performance: Non-cash rewards, Chartered Institute of Personnel and Development, London

Kohn, A (1993) Why incentive plans cannot work, Harvard Business Review, September/October, pp 54–63