



Don't Show Me the Money!

Consider the harsh realities before you give employees cash

By Roy Saunderson

With all due respect to Jerry McGuire...don't show me the money!

At least consider the following factual information before giving hard cold cash as a bonus or incentive for the purpose of recognizing employees.

Here today, gone tomorrow.

There's a funny thing about giving people money. It is always spent quickly. And that quick turn around can make money a very poor recognizer of the contributions your employees have been making.

Any guesses what employees typically do with their money rewards? When Wirthlin Worldwide was commissioned to investigate how people spent their cash reward or incentive spending habits, they discovered twenty-nine percent actually used it to pay down or pay off their bills. The next highest percentage was at eighteen percent and they couldn't even remember what they used the money for. After that it was just gifts for family, something for the house, perhaps a personal treat and for the real disciplined folks in the crowd they put it away into savings.

There is poor lasting recognition value with cash payments when they go towards the more mundane things of life.

So when you give cash today, remember it will be gone by the time the next day arrives. And so will the memory of why it was given in the first place.

Poor linkage to performance

You can see there is very little half-life to giving people money.

Furthermore, there is no tangible connection to the task or contribution performed that merited the cash reward in the first place. Money is simply money and you can't change the head of state on the currency to represent a thank you.

The least you can do if you are giving cash is to make it strongly connected with performance variables. That way people at least know why they got the money award.

Another thing that rarely gets done is to send some communication with the

cash given to acknowledge the measures achieved. What typically happens is the amount nicely shows up automatically in your bank account with only your payroll statement showing a blip of a difference under an applicable category.

In my mind recognition should make a clear connection between the individual and their actions. Cash rarely has that kind of effect.

Poor return on investment

Findings from WorldatWork (formerly the American Compensation Association) suggest that non-cash reward programs achieved three times the rate of return on investment when compared with cash-based programs.

And you thought it would be so much easier to give your employees cash.

So do cash incentives really make a concrete difference in performance? Well it seems in a survey conducted by American Express Incentive Services that seventeen percent of American employees polled said they had received a year-end cash bonus. Now, from that group thirty-two percent of the respondents admitted the cash bonus did not even improve their personal work performance.

“When you give cash today, remember it will be gone by the time the next day arrives.”

If you're like me you would like to have better odds on the money you invest.

More please!

Remember the classic line in the musical version of Dickens's "Oliver Twist", when Oliver brings his bowl back for more gruel to eat and simply asks, "More please!"

Ironically, this same mind-set exists with respect to cash bonuses. When you give money once as a cash incentive there is the immediate thought for wanting more of the same... please and thank you!

Yet just giving more money does not guarantee increased performance as much as other forms of tangible rewards seem to do. Take for example the study done by Goodyear Tire & Rubber Company which demonstrated performance improved for both employees who were rewarded with cash and others rewarded with tangible incentives. So is money OK after all? Take note of the following. The interesting thing is the performance increase shown by those receiving tangible rewards was nearly fifty percent more than those rewarded by cash.

The key then is not to focus on the money side of things. People will just want more of the same. Now you can see how less is more...money that is!

Getting Paid Off

From other surveys conducted three of five respondents said that a cash payment is perceived to be part of an employee's total remuneration package.

In other words it is almost as if you're giving them a part of the expected pay cheque instead of something to actually thank them or motivate them.

At this point money can even start to take on a negative perception when it gets too strongly associated with pay instead of as a reward. Here's an interesting measure found in the research: sixty-eight percent of respondents say bonus payments can have a negative impact on people and performance if the bonuses are not paid or they are not large enough.

So the entitlement philosophy can get in the way when someone else gets a cash bonus and you don't.

As you can see from all of this, the bottom-line seems to be that cash doesn't pay after all.

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