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Winning the War for Talent: Modern Motivational Methods for Attracting and Retaining Employees

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Abstract

Given the struggle that many organizations face hiring and retaining talent in today's tight labor market, it is critical to understand how to effectively reward employees. To address this question, we review relevant evidence that explains the importance of workplace rewards and recognition. Based on a review and synthesis of the current literature, we make the case that organizations should move beyond salary and traditional cash rewards to place greater emphasis on non-pecuniary, tangible and intangible rewards and recognition initiatives. We further highlight the importance of aligning rewards with universal psychological needs. Finally, we discuss the need to conduct more research to understand when and for whom cash and non-cash rewards increase intrinsic motivation, organizational commitment and optimal functioning in order to improve the design and implementation of existing reward programs.

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Glossary of Terms

Various terms specific to the reward, recognition and incentive literature are used throughout the article and described as follows for the article.

Cash Reward: Any financial reward, including cash and cash equivalents (e.g., stock options).
Tangible Non-Cash Reward: Any reward that is not cash or cash equivalent, but has a tangible or financial value (e.g., incentive travel, merchandise, gift card).
Intangible Reward: Any reward that has no financial or tangible value (e.g., verbal or written recognition).
Benefits: Any advantage that is provided by the employer in addition to salary with or without financial or tangible value. Benefits often include tangible cash bonuses, tangible non-cash rewards, and intangible rewards.
Total rewards strategy: An emerging trend in compensation practices whereby organizations offer a broad variety of tangible and intangible rewards in addition to salary and cash rewards.
Recognition: Recognition is typically offered *after* a behavior or achievement. All rewards can be used as forms of recognition. Recognition can be provided in the form of cash or tangible non-cash rewards, and/or in the form of intangible rewards such as public acknowledgement and appreciation for work done well.
Incentive: An incentive is typically presented *beforehand* to motivate a person to act or exhibit a specific behavior. An incentive is used to motivate future behavior, while a reward is given based on past behavior. In this light, incentives become rewards when employees receive them. Hence, incentives can be constituted of more than one reward type. For example, an employer may choose to incentivize its sales cycles with a cash reward (e.g., bonus) or a tangible non-cash reward (e.g., travel), and an intangible reward (e.g., written recognition).
Tangible returns: Any tangible and financial measure of a program's effectiveness. As part of a company's Return on Investment analysis, tangible returns also include outcomes such as absenteeism that can be converted to a financial metric.
Intangible returns: Any intangible and non-financial measure of a program's effectiveness. This includes improvements in employee morale and engagement, customer satisfaction, and citizenship behavior. Although more difficult to measure and assign a dollar value, and less commonly assessed, these returns are significant and should be incorporated in a company's Return on Investment analysis.

Learning how to optimally reward employees matters for the bottom line. US companies allocate more than one-fifth of their budgets to wages and salaries, spending between $38-$77 billion on cash rewards and incentives each year (Cancialosi, 2014). In addition to cash rewards, US companies spend between $46-$90 billion each year on tangible non-cash rewards, including gift cards (Blackhawk Incentives, 2017; Incentive Federation, Inc., 2016). Despite these enormous expenditures, more than 80% of American employees report that they do not feel recognized or rewarded (Achor, 2016). Additionally, about 40% of the employees surveyed in the study above reported that they would work harder if their contributions were more widely recognized. These statistics suggest that the mere act of providing a reward is not sufficient.

Indeed, compensation and reward programs often fail to positively motivate workers or to elicit better performance from employees at least in part because companies struggle to understand what employees want and why (Giancola, 2014). The latest data suggest that most employers motivate their employees sub-optimally, using direct extrinsic motivators like money and prizes as enticement, or "incentives," for future actions, rather than as indirect "rewards" that convey appreciation and recognition *after* a desired behavior has been achieved (Cerasoli, Nicklin & Ford, 2014; Cleveland, Byrne & Cavanagh, 2015; Risher, 2013, 2015). To motivate and reward employees optimally, managers should gain a better understanding of the types of *rewards* that employees are looking for at work.

Today, jobs are increasingly perceived as core to one's self-identity (Hogg & Terry, 2000; Pratt, Rockmann & Kaufmann, 2006). For many employees, a job is not only a paycheck: employees put considerable thought and effort into deciding where to work and why (Ibarra, 1999; Iyengar, Wells, & Schwartz, 2006; Shamir, 1991). Many employees seek meaning as much as, or even more than money (Duchon, & Ashmos-Plowman, 2005; Gagné & Deci, 2005;

Gagné & Forest, 2008; Pfeffer & Jeffrey, 1998; Pink, 2009). Considerations about meaning vs. money may be especially important to the newest generation of employees. Members of the "Millennial Generation" and "Generation Z" appear to care more than older workers about certain intangible rewards such as career advancement, skill training, social connections, and company purpose (Smith & Aaker, 2013). Similarly, the newest generation of workers strive to work where they feel that their input makes a difference to customers, colleagues, peers, and supervisors. At the same time, meta-analytical research has shown that as employees age, they become more intrinsically motivated to find personal meaning in their work (Cerasoli, Nicklin & Ford, 2014). Thus, the latest research suggests that a broad range of the employee population are motivated as much by meaning as they are by money.

Why is this knowledge relevant for organizations? With US unemployment rates hovering around 4% overall and just over 2% for workers with bachelor's degrees or higher (Bureau of Labor Statistics, 2018), organizations face growing competition to attract and retain top talent. Mounting evidence from data generated by firms such as Appcast and Glassdoor (which both deal in high volumes of job advertisements), illustrate the fact that offering and describing non-cash tangible and intangible rewards, such as travels, career development opportunities and work flexibility, can provide companies with a market advantage when attempting to attract the best employees (Baetan & Verwaeren, 2012; Risher, 2015).

For example, in a 2018 study that we conducted with more than 92,000 job ads posted through Appcast, the more benefits an employer described in their job ads, the higher the application rates (see Figure 1; Whillans, Dwyer, & Perovic, 2018). These findings held across industries. Moreover, in related research, when employers described their benefits in detail, such as family-related leave, employers were more likely to form the impression that the employer cared about their employees. This concern translated into a greater number of applications even when the employers' total compensation – i.e., salary plus benefits - was lower than competitors who offered a similar compensation package, but did not provide a detailed description of their benefits plan (Whillans, Dwyer, & Perovic, 2018).

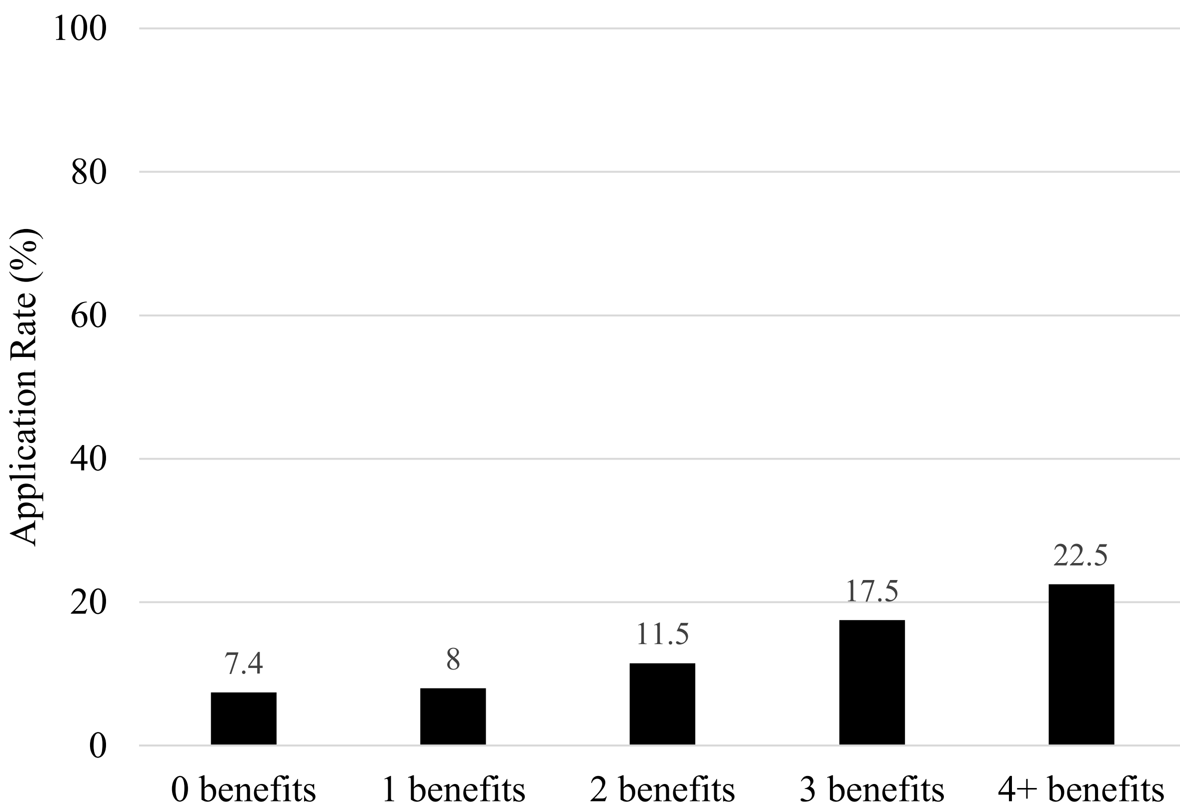


Figure 1. Application rates for jobs correlated with number of benefits described

Following from these results, it becomes clear that in an era where an increasing number of employees—junior and more experienced—seek meaning, purpose and social contribution, an organization's ability to offer employees more than a transactional relationship based on money and tangible rewards can distinguish it from its competitors (see also: Baetan & Verwaeren, 2012; Brown & Reilley, 2013 for similar arguments). Thus, organizations should focus on clearly communicating the purpose and meaning behind the tangible rewards that they offer.

Building on these findings, we argue that employees seek more than money; hence cash and cash-like rewards are no longer sufficient to motivate employees. Rather, rewards must be imbued with meaning, purpose, appreciation and intention in order to avoid feeling like empty gestures or mere transactions (Gagné & Forest, 2008; Greene, 2014; Moller & Deci, 2014; Shaffer & Arkes 2009; Thibault Landry, Forest, Zirgami, Houson, & Boucher, 2018). This is especially true in the current era of low unemployment where employees have many options available to them. To provide evidence for this argument, we begin by reviewing evolving trends in the use of tangible cash and cash-like rewards such as gift cards and vouchers to communicate appreciation and recognition (Ariely, 2016; Chen & Fu, 2011; Larson, 2017; Risher, 2014a; Thibault Landry et al., 2017, 2018; see Glossary p. 1 for definitions of key terms). Next, we argue that organizations should help employees achieve a sense of meaning and purpose at work through all types of rewards offered, by increasing recognition *and* appreciation as part of their total reward strategies. We conclude by discussing future research needed to support the effectiveness and understanding of well-designed reward programs.

Do Cash Rewards Still Motivate?

A large body of research demonstrates the positive relationship between cash and cash-like reward programs and performance (Brown, Falk, & Fehr, 2004; Condly, Clark & Stolovitch, 2003; Fehr, Gachter, & Kirchsteiger, 1997; Fehr, Kirchsteiger, & Reidl, 1993; Hannan, Kagel, & Moser, 2002). Meta-analyses of lab and field studies show that the installment of such programs can significantly affect productivity at both the individual and team level (e.g., Cerasoli, Nicklin, & Ford, 2014; Condly et al., 2003; Jenkins, Mitra, Gupta, & Shaw, 1999). For example, many studies in the services and sales industry point to a positive association between cash rewards and employee performance, at least in terms of performance quantity, as indicated by greater sales and improved customer service (e.g., Stajkovic & Luthans, 2001). Recent field studies in the manufacturing sector show that cash awards and gift cards can increase daily productivity levels (e.g., Bareket-Bojmet, Hochman, & Ariely, 2017; Grandey, Chi & Diamond, 2013).

However, the effectiveness of using cash and cash-like incentives as motivators appears better suited for work that is measured quantitatively, as opposed to work that is measured qualitatively, as is the case for most work in our modern knowledge-based society (Cerasoli, Nicklin, & Ford, 2014; Jenkins, Gupta, Mitra, & Shaw, 1998). Using incentives such as money and cash-like rewards can undermine employees' intrinsic motivation, in a phenomenon that some academics have labelled as "a motivational shift" and that others describe as "crowding out." These effects often arise when cash is used as a direct incentive to motivate complex and/or creative work (Cerasoli, Nicklin, & Ford, 2014; Frey & Jegen, 2001; Krug & Braver, 2014).

To better understand this motivational shift, Self-determination theory (abbreviated SDT) postulates that human motivation can best be described on a continuum that ranges from intrinsic to extrinsic motivation (Deci & Ryan, 1985). According to this theory, employees experience intrinsic motivation when they feel that the work they are engaging in is coherent with their identity, personal values, and goals (Ryan & Deci, 2000). Hence, employees who are intrinsically motivated appreciate their job and volunteer discretionary effort, out of genuine enjoyment for what they do.

At the opposite end of the motivational spectrum, extrinsic motivation is described as originating from external sources, such as potential financial gains or other tangible rewards as well as from emotions such as pressure, fear, guilt (Ryan & Deci, 2000), and competitive pride (Larkin, 2012). Employees who are motivated extrinsically engage in work in anticipation of expected status and/or financial return, such as their salary or paycheck. Consequently, they view their job as an accessory in achieving this end. In this light, *for non-routine, creative work*, direct extrinsic motivation is generally considered a less productive form of motivation that should not be pursued by employers (Cerasoli, Nicklin, & Ford, 2014, Pink, 2009; Ryan & Deci, 2000).

In line with the arguments of SDT, using financial incentives as motivators with stringent performance contingencies and without appropriate recognition can increase extrinsic motivation and erode intrinsic motivation (Cerasoli et al., 2014; Frey & Jergen, 2001; Krug & Braver, 2014; Moller & Deci, 2014). Cash incentives may lead employees to focus on money, rather than on their intrinsic interests (Hur & Nordgren, 2016). Stated differently, pure cash performance incentives often encourage a transactional mindset among employees focused on speed and quantity as opposed to enjoyment and quality (Cerasoli et al., 2014; Frey & Jergen, 2001). Furthermore, cash rewards, including bonuses and stocks, can be taken for granted, creating an "entitlement effect," which can reverse positive impacts dramatically if rewards are withdrawn or if they are not regularly increased (Bareket-Bojmel, Hochman, & Ariely, 2014).

This research does not, however, mean that cash rewards cannot help organizations reach performance goals (Gerhart & Fang, 2014). However, cash rewards should be leveraged in a way to foster healthy forms of motivation and avoid unhealthy ones. To this point, SDT proposes that external motivators such cash rewards can be more effective if they are offered in meaningful ways. More specifically, cash rewards can be presented in a supportive way, as to positively foster employees' feelings of recognition, purpose and meaning at work, instead of being used in an oppressive, controlling, transactional way, as to emphasize performance contingencies. Hence, although cash rewards are often necessary to motivate employees, they must be used carefully and in combination with other reward types. Alone, financial incentives are no longer sufficient to motivate workers; particularly those in complex, non-routine, and/or creative work, and especially in a "seller's market" (i.e., where 'talent' is in short supply and high demand).

Moving Beyond Cash: The growing popularity of non-cash rewards

It appears that organizations (especially successful ones) are aware of the potential effectiveness of using other types of rewards, including non-cash rewards. The Incentive Research Foundation (a research institute focused on workplace motivation and rewards, abbreviated IRF) conducts an annual Top Performer study, across a range of employer types. A recent IRF report reveals that between 80-90% of top performing US firms use non-cash rewards (e.g., travel, merchandise, gift cards) versus only 60-75% of their average-performing counterparts (Incentive Research Foundation, 2017a). Other research has documented a similarly sizeable increase in the use of non-cash reward programs that include *tangible* rewards (e.g., merchandise gifts, time off, travel rewards, experiential rewards, restricted gift cards) as well as *intangible* rewards (e.g., choice of work assignments, flexible work options, greater autonomy, skills training and other developmental opportunities, employee involvement in decision-making, optimal work environments, and positive job design; Brown, & Reilly, 2013; Morrell, 2011; Spreitzer, Bacevine, & Garrett, 2015; Srivastava, 2012; Tims, Bakker, & Derks, 2013).

Google is perhaps most famous for its non-cash rewards. Google offers a broad mix of rewards, including some related to flexible work – such as time off to experiment at work, free food and transportation, and choice of assignments – which are well-known and effective (Bock, 2015). Google is not alone in these offerings: A quick scan of the organizations listed in many "best places to work" lists reveals a near universal adoption of a *total rewards strategy*, in which salary and cash bonuses constitute only a portion of reward packages otherwise brimming with tangible and intangible rewards. These include opportunities to enact purpose and autonomy in socially meaningful ways that cover key facets of the workplace experience, such as opportunities for learning, career advancement, flexible work, strong and inclusive leadership, and a collaborative culture. In the US, as of 2016, 84% of organizations use tangible non-cash rewards—including travel, various merchandise, and gift cards—representing an increase of almost 60% over the last two decades (Incentive Research Foundation, 2017b).

Gains in the use of non-cash rewards may be due to an evolving understanding of the advantages of giving thoughtfully-selected gifts over simply rewarding employees with cash bonuses and financial prizes. A sizable and growing body of research finds that gifts (i.e., tangible non-cash rewards) deliver equal, and often greater returns to organizations in most circumstances compared to equivalent cash rewards (Alonzo, 1996; Bareket-Bojmel, Hochman & Ariely, 2014; Heyman & Ariely, 2004; Incentive Research Foundation, 2011; Jeffrey, 2003, 2009, 2017; Jeffrey & Shaffer, 2007; Kube, Maréchal, & Puppe, 2012; Mahmood & Zaman, 2010; Schall & Mohnen, 2015; Viswanathan, Li, John & Narasimhan, 2018). These findings point to the importance of the meaning of the reward and not just the reward *per se* (See Thibault Landry et al., 2018; Thibault & Whillans, *under review* for related data that provides additional evidence for this point).

Field experiments in the sales and customer service industry have shown that employees often try harder when they are incentivized with tangible non-cash rewards compared to cash rewards of equivalent value (Jeffrey & Adomdza, 2011; Kelly, Presslee, & Webb, 2017; Viswanathan et al, 2018). For example, researchers recently studied two teams of carpet salespeople in consecutive sales tournaments. Team A pursued a cash reward while Team B sought equivalently valued non-cash rewards, including luxury experiences. While there was no significant difference in performance between the teams in the first sales contest, the underperformers (those that did not win in the first round) on the non-cash team performed significantly better – resulting in 2.66 times greater sales – in the second contest than losers in the cash team in the second round. Indeed, this group turned in the best performance of both groups in either round. Moreover, underperformers on the non-cash team were twice as likely to watch a training video offered to all participants, indicating greater personal engagement in their work. The researchers hypothesized that people may simply desire non-cash rewards more than the cash equivalent, making them feel more motivated to work harder (Kelly et al., 2017).

In a similar vein, a 2017 study of almost 600 salespeople in one firm looked at the effect of replacing a mixed cash/non-cash reward program with an equivalent value all-cash program. Over a nine-month period, measured effort dropped dramatically, leading to a sales decrease of 4.36%. This cost the company millions of dollars in lost revenue (Viswanathan et al, 2018). The authors provide two complimentary explanations: first, by only offering cash rewards, the firm may have inadvertently de-motivated salespeople who preferred non-cash rewards. Second, the firm may have also discouraged salespeople who simply appreciated having a choice (Viswanathan et al, 2018). This work is corroborated by similar findings in the lab where participants provide work of greater quality under non-cash rewards, such as tangible prizes like pens and chocolate (e.g., Hammermann & Mohnen, 2014), and in various other field studies show that choice in rewards matters for motivating higher performance (e.g., Bareket-Bojmel, Hochman, & Ariely, D. 2014; Kube, Maréchal, & Puppe, 2012).

Researchers argue that people may prefer tangible non-cash rewards because they know they will spend a cash reward on something utilitarian, such as a basic necessity, like paying utilities, buying groceries, and making car or mortgage payments (e.g., Presslee, 2017; Shaffer & Arkes, 2009). By making utilitarian purchases when given a cash reward, such rewards may become unmemorable and unemotional transactions. Consequently, these rewards could be harder to perceive as meaningful or enjoyable (Dunn & Norton, 2014). Employees may "mentally account" for cash rewards in the same way as their paycheck or salary (Thaler, 1985). In this way, cash rewards may lose any distinctive or memorable quality (Hur & Nordgren, 2016; Shaffer & Arkes, 2009). In turn, employees may derive less meaning, enjoyment, and appreciation from these rewards as they are perceived to be transactional (Allen, Shore, & Griffeth, 2003; Dunn & Norton, 2014; Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001; Kuvaas, Buch, Gagné, Dysvik, & Forest, 2016). Reward earners may feel guilty spending their cash reward on something equivalent to a luxurious or hedonic tangible reward (Berman & Small, 2012; Prelec & Loewenstein, 1998). Yet, the fact that certain rewards are hedonic in nature may be exactly what makes these types of non-cash rewards more anticipated, talked about (Norberg, 2017), desired (Shaffer & Arkes, 2009), and, thus, more powerful motivators.

Finally, tangible non-cash rewards may also have the advantage of being more visible and/or shareable than cash rewards. For many people, discussing money, whether salary or cash rewards, remains awkward, if not socially unacceptable. On the other hand, employees who earn rewards such as electronics, outings or trips generally feel comfortable openly discussing and relishing them with others, both at work and/or outside of work. This 'buzz' greatly benefits the organization offering the reward as it is likely to motivate a broader range of employees to work harder to earn them (Jeffrey & Shaffer, 2007; Shaffer & Arkes, 2009).

Imbuing Rewards with Meaning: The importance of recognition and appreciation

Regardless of whether employees receive cash or non-cash rewards, recent research on workplace rewards suggests that what matters when it comes to rewards are the *affective* reactions that these rewards elicit (Jeffrey, 2017; Shaffer & Arkes 2009; Thibault Landry et al., 2018; Thibault Landry & Whillans, *under review*). Many studies have shown that recipients of any type of rewards perceived as heartfelt, genuine, and authentic, feel more appreciated by their employers, which then translates in reciprocation – the intention to work harder for their organization (Jeffrey, Silbert, & Nummelin, 2006; Kube, Maréchal, & Puppe, 2012; Silbert, 2005). Hence, to optimize their effect, all rewards, especially those applied to complex, non-routine, and/or creative work, whether cash rewards or tangible non-cash rewards such as gifts, should be used as symbols of appreciation to reinforce meaning, purpose, and significance (Shaffer & Arkes, 2009).

To do this optimally, rewards should be designed to spark, reinforce and enhance the positive emotions that coincide with feeling valued, invested in, included, and appreciated. More specifically, both cash and non-cash rewards should reinforce the primary message of recognition and appreciation (Ariely, 2016; Chen & Fu, 2011; Larson, 2017; Rischer, 2014; Thibault Landry et al., 2017, 2018). To this point, feeling appreciated and recognized in one's workplace is so vital that some studies have attributed as much as 80% of voluntary employee attrition to a lack of recognition and appreciation from their employer (Gostick & Elton, 2009).

This is unfortunate and can be avoided. Interviews conducted with employees reveal that many agree that a simple, heartfelt 'thank you' in person or even by email from their managers, is enough for employees to feel like their contribution is valued. An authentic 'thank-you' (with specific reference to the employee being recognized) from a respected leader or colleague is often enough to motivate employees to try harder (Bareket-Bojmel, Hochman & Ariely, 2014). This positive effect of descriptive feedback (e.g., Carpentier & Mageau, 2013, 2016) is well documented yet significantly *underused* in the workplace.

Illustrating this point, a 2003 report in the McKinsey Quarterly indicates that employees who earn sufficient salaries are more motivated by intangible rewards such as managerial praise and one-on-one conversations with leaders than by cash rewards, stock options, or even pay raises (Dewhurst, Guthridge, & Mohr, 2009). Highly paid employees also appear willing to forego significant earnings in exchange for social recognition from colleagues. In a 2009 study by professor Ian Larkin, for example, software salespeople earning on average $600,000 per year were willing to give up commissions of up to $30,000 to qualify for inclusion in the annual President's Club, an honor that bestows almost nothing financially, but a great deal in terms of recognition and status (Nobel, 2011).

Relatedly, in a controlled field experiment involving 180 workers over an 18-week period, researchers showed one group of workers a 3-minute video that personally thanked them for their contributions. The short clip was a powerful motivator—generating a 7% increase in performance as compared to a control group who did not view the video (Green, Gino, & Staats, 2017). These findings dovetail with other research documenting the emotional gratification that people experience when shown the specific and concrete impact of their positive contributions (Aknin, Dunn, Whillans, Grant & Norton, 2013). Another recent study of more than 3500 employees in customer service positions demonstrated that "fair, consistent, and timely" manager and peer-to-peer recognition improved customer service quality and organizational citizenship behaviors (Wilches-Alzate & Jeffrey, 2016). At the organizational level, companies with strong strategic recognition programs (those that rank the highest in providing effective recognition), enjoy greater productivity, lower turnover, and greater returns on investment than other companies in their industries (Nelson, 2012; SHRM/Globoforce, 2012; Ventrice, 2009).

Again, all of this points to the premise that in today's workplace, cash rewards should not be used in isolation, but in combination with non-cash tangible and intangible rewards.

The art of giving and communicating genuine recognition

While there is little doubt that appreciation increases motivation, there is less clarity about how to best communicate recognition (e.g., Gagné & Forest, 2008; Moller & Deci, 2014; Rigby & Ryan, 2018). Communicating genuine appreciation is a complex task, and the impact of appreciation can vary widely depending on how it is delivered. For instance, conveying recognition can vary based on the giver's (e.g., manager's) characteristics, such as their skills and abilities (e.g., empathy, perspective-taking), role and experience (e.g., hierarchy, status), as well as their personality and leadership style (Amabile, Goldfarb, Brackfleld, 1990; Bono & Judge, 2003; Falk & Kosfeld, 2006). Furthermore, conveying appreciation is highly relational in nature: it requires an in-depth understanding of the constituents of the social interaction. This knowledge can vary greatly across teams and across modes of interactions—from remote workers to face-to-face interactions with employees in the office next door, for example.

Giving recognition further requires an understanding of the specifics of the workplace, including contextual and cultural factors (e.g., size, industry, practices, activity sector, trends, country of operation and organizational/team culture, etc.) as well as the distinctive quality of the individual contributor's work. A great deal of research suggests that to be most effective, recognition should be accurate and specific, highlighting the recipient's unique contributions. As such, personalized praise given in a heartfelt, timely manner is normally more useful and meaningful than a general message sent to the whole unit or department (Harvey, 2015).

Additionally, though intangible rewards such as verbal recognition can deliver powerful results, many achievements warrant a tangible cash or non-cash reward to match the level of effort (Loewenstein & Thompson, 1989; Pepper, 2006; Walster, Walster, & Berschied, 1978). For example, a simple "thank-you" after an employee has worked overtime for weeks on an important project could feel hollow on its own (Walster, Walster & Berschied, 1987). Thus, managers must learn how best to *combine* recognition with meaningful tangible rewards.

To help managers learn these critical skills, organizations must acknowledge the fact that managers occupy a critical role in fostering recognition in the workplace (Bock, 2015; Campbell, Campbell & Chia, 1998; Gerhart & Fang, 2014; Gupta & Shaw, 2014). Among the happiest employees, 95% state that their managers excel at providing feedback and recognition (Crabtree, 2011); in other words, a good manager positively contributes to their employees' desire to feel competent and appreciated. Managers are in a privileged yet delicate position to create environments of appreciation that drive recognition and meaning at work.

Front line managers interact with employees more frequently than any other leader in an organization and as such, they play a significant role in employees' work lives and career trajectories (Bock, 2015; Leiter & Maslach, 2003; Solomon, 2015; Staw & Barsade, 1993). It follows then that adequate training for managers' evolving roles is a necessity. Indeed, the consequences of managers failing to provide adequate recognition are increasingly severe (Shafiq, Zia-ur-Rehman, & Raschid, 2013). With so many factors at play, most managers will need training in how to provide effective recognition, to show their appreciation for employees as a component of their day-to-day work, and to drive recognition initiatives (Risher, 2014b; Robinson, 2006; Shafiq, et al. 2013). This includes knowing when and how to use different tangible and intangible rewards as part of the reward programs in place in their organizations.

Deciding what type of rewards to employ is challenging, and broad strategies are likely to fail. To get to know their employees, organizations should facilitate an ongoing dialogue between front-line managers and their teams. Organizations must also conduct and analyze employee engagement surveys, measurement tools, and pulse polls, and review findings from national and global employee surveys. As above, the struggle to hire and keep talent is more intense today (in late 2018) than it has been in almost two decades, thus greater effort is warranted and required. Whether developing an employer brand or a recognition program, organizations and managers must learn the broad scope of rewards that their employees seek, determine what each individual employee wants, and then deliver highly targeted messages and rewards that appeal to employees and truly motivate them – especially for top performers and those with "mission-critical" skill sets (Brown, 2014; Greene, 2015; Risher, 2015).

Understanding how to reward employees as to satisfy their universal psychological needs

Human motivation is multi-faceted and complex. Our review of the current literature points to the critical need to conduct more field research to test theories of human motivation to learn what really motivates employees. This research will help managers better understand when, why and how specific rewards convey feelings of appreciation and recognition, and motivate employees in more tailored and optimal ways. Specifically, we propose that more research should build on Self-Determination Theory (SDT; Deci & Ryan, 1985). By encouraging managers to think about rewards through an SDT lens, researchers and organizations alike will be better able to understand employees' experiences when they are offered cash and non-cash rewards and recognition at work.

SDT has a 40-year history in making predictions about the psychological elements needed for individuals to feel deeply connected with what they do (see Gagné & Deci, 2005 and Gagné & Forest 2008 for two seminal paper on this topic). According to SDT, the essential psychological elements to foster strong, positive, and healthy work environments revolve around the satisfaction of three basic psychological human needs: autonomy, competence, and relatedness (sometimes described as autonomy, mastery and belonging). To satisfy their psychological need for autonomy, employees must feel that they have the freedom to choose how to do their work and they must feel that their work is in line with their personal values and interests. To satisfy their psychological need for competence or "mastery," employees must feel that they have the necessary skills to do their job and overcome any potential challenges they may face at work (e.g., through available training and development opportunities). Finally, to satisfy their psychological need for relatedness or "belonging," employees must feel that they can emotionally connect to colleagues, peers, and supervisors in personally meaningful ways.

A great deal of research using SDT has shown that at work and outside of work, people who feel more competent, autonomous, and connected to their peers thrive to a greater extent in their environments, including in their workplace, demonstrating greater commitment, engagement, performance and well-being (e.g., Brien, Forest, Mageau, Boudrias, Desrumeaux, Brunet, & Morin, 2012; Gillet, Fouquereau, Forest, Brault, & Colombat, 2012; Ntoumanis, 2005; Thibault-Landry, Kindlein, Trépanier, Forest, Zigarmi, Houson, & Brodbeck, 2016; Trépanier, Forest, Fernet, & Austin, 2015; Van den Broeck, Vansteenkiste, De Witte, & Lens, 2008; Vansteenkiste, Neyrinck, Niemiec, Soenens, De Witte, & Van den Broeck, 2007).

In one of the few studies applying SDT to workplace rewards, Thibault Landry and colleagues (2017) found that when well presented – i.e. as reinforcement of appreciation *after* an employees' achievement, instead of purely as a financial incentive for performance – cash rewards led employees to experience greater satisfaction of psychological needs in their workplace. Managers further rated these employees as more productive three months following the receipt of this cash reward. In a second set of studies (2018), Thibault Landry and colleagues found that when cash rewards were used to reinforce managers' recognition and appreciation of their employees' work, cash rewards positively contributed to employees' psychological needs for competence, autonomy and relatedness. In turn, employees reported feeling more motivated, more engaged, and more committed to their workplace. Furthermore, employees were also more likely to experience greater well-being and to report lower turnover intentions.

Collectively, this evidence highlights the relevance of using proven motivational theories to understand how employees experience the rewards they are offered at work. Hence, based on the research reviewed thus far, a good strategy for organizations who wish to motivate employees is to offer a range of tailored cash and non-cash tangible and intangible rewards that satisfy these universal psychological needs. The more that managers learn how to best satisfy employee's psychological needs through rewards and recognition, the better they will be at crafting effective rewards (Blank & Schweyer, 2017; Parsons, 2017). In this light, the efficiency of reward programs in general will depend on the extent to which the rewards offered satisfy recipients' needs for autonomy, competence and belonging, and thereby foster feelings of recognition and appreciation (e.g., Gagné & Forest, 2008; Thibault Landry, et al., 2018).

Assessing the effectiveness of the reward programs currently used

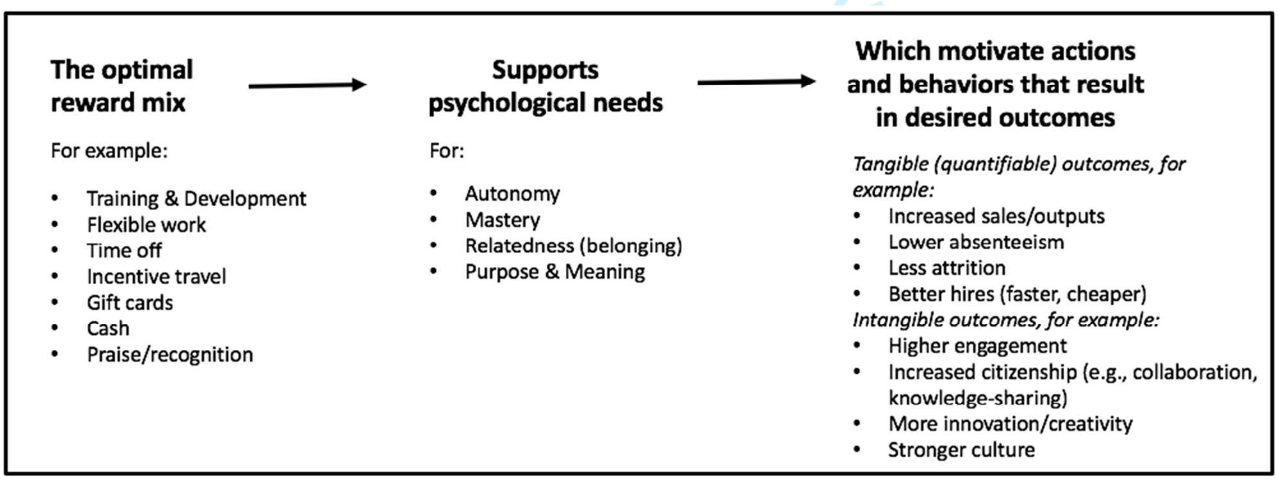
Tied to the need to better understand employees' motivation is the need to conduct more rigorous field research on this topic. This recommendation is based on the fact that only a minority of organizations measure the effectiveness of their reward programs, and when they do, they focus almost exclusively on measuring financial and tangible outcomes (often indicated with performance quantity) while neglecting the measurement of other important, yet less tangible outcomes, including engagement, citizenship behaviors and performance quality (see Schweyer, Thibault Landry, & Whillans, 2018 for a similar argument).

Two large studies conducted by the Incentive Research Foundation (IRF) point to the fact that reward program measurement tends to focus mostly on hard financial impact and measures such as sales, revenue, market share, gains in customer loyalty, and customer acquisition (Bryant, & Allen, 2013; Incentive Research Foundation, 2018; Intellective Group, 2016; Madhani, 2014; Peltier, Schultz, & Block, 2005). In two separate IRF surveys of US firms conducted between 2015-2017, only 47% included any measures of the non-financial, intangible impact of reward programs, such as employee engagement. In another IRF study of firms in the UK in 2016, more than a third of British firms surveyed *hoped* that their programs would improve morale, wellness, organizational culture and innovation. Yet not a single firm in this study measured these impacts. In our own research of 139 US firms on behalf of the IRF in 2018, employee satisfaction was the only non-financial outcome that was commonly measured (27% of respondents) in reward programs (Schweyer, Thibault Landry, & Whillans, 2018).

We propose that organizations should conduct more research examining the non-financial impact of reward programs. The field would gain insight from more random-selection, control-group experiments to test the effectiveness of incentive, reward and recognition programs in increasing engagement, citizenship behaviors and non-financial outcomes – the very things that differentiate the most successful firms today, allowing them to attract and keep top talent (see Blank & Whillans, 2018 for a similar argument). For example, when a reward program is well designed, firms should expect improvements in teamwork, collaboration, and learning, leading to increased employee engagement. As such, organizational citizenship behaviors and participation in non-core business activities should be examined in relation to such initiatives. Participation in the discretionary “extras” can provide a good indication of the health and culture of an organization (Dubinsky & Skinner, 2002; Ferris, Brown, Berry & Lian, 2008; Thibault Landry et al., 2018; Zigarmi, Nimon, Houson, Witt, & Diehl, 2009).

To conduct this research, organizations could leverage internal networking software to directly observe if implementation of reward programs leads to increases in connectivity (e.g., through organizational network analysis and/or analysis of activity in peer-to-peer platforms), knowledge-sharing (e.g., by tracking activity in corporate social networks or intranets), idea-sharing (e.g., by tracking hard-copy or online suggestions), peer recognition (e.g., through online recognition software), and amount of e-learning accessed and completed (e.g., through Learning Management Systems). By examining the financial, tangible and non-financial, intangible impact of reward programs, organizations can demonstrate the returns on investments (or ROI) of these programs, informing decisions on continued use or expansion. As Figure 2 (Schweyer, 2018) implies, organizations anticipate returns from their investments in employee reward programs. Reward programs should drive tangible returns, but they should also deliver value to the organization through *intangible* returns by signaling the behaviors and actions the organization wishes to prioritize, such as increased innovation and employee engagement.

Figure 2. The rewards value chain.



Conclusion

In today's workforce, rewards—including cash and non-cash rewards— are ubiquitous and necessary. However, unless rewards are selected and presented in a meaningful way, and are designed to convey recognition and appreciation, rewards are not sufficient to motivate employees who increasingly seek autonomy, mastery and connectedness at work. Accordingly, understanding how best to motivate employees in today's tight job market involves a focus that moves beyond cash and cash-like rewards. Organizations will profit from moving toward well-designed total reward strategies that include cash, non-cash tangible and intangible rewards that are designed to convey recognition of an employee's contributions, generate optimal outcomes and foster a highly-engaged workforce. This is especially important when work is complex, non-routing, and/or creative, which describes most work available in advanced economies today.

We propose that to understand how best to motivate employees, managers and scholars alike should turn to research on Self-Determination Theory. Building on this literature, rewards – whether cash or non-cash – should be used to support and reinforce the universal, positive human needs for autonomy, competence, and relatedness. More research is needed to examine the specific mechanisms by which different reward types and combinations contribute to employees' experiences at work as well as to identify what rewards are motivating for whom. In doing so, leaders will be better equipped to promote the health and well-being of all of their employees.

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