Motivating Performance

How to effectively use
employee rewards programs to
optimize your team's success

arcade

The old model of employee rewards is no longer relevant.

"

We said it. But we're backed up in thinking so —

According to Forbes, **87%** of employee rewards programs still focus on tenure.

Stay at a company for five years and get a bonus.
Ten years? Get a slightly bigger bonus, or a nice watch.

Rewarding tenure alone has been the standard model for employee rewards since the turn of the previous century. But recent research suggests that tenure-based reward programs don't have a meaningful impact on performance.

It's time for a new approach.

In the following pages we hope to break down our research on modern approaches to reward programs, describe how to implement one, why it matters, and how it makes your organization more effective.

Dave Cherrie,
Founder & CEO, Arcade

For more resources on modern management, see our website!
arcade.co

Forbes has revealed that tenure-based employee rewards programs have virtually no impact on performance. None!

> ## "
> ## Employees were never in it for the gold watch.
>
> **Marigo Raftopolous, PhD**

why we have such high levels of workplace disengagement."

In one famous case, a Spanish civil servant was busted for skipping work for at least six years. His employers only discovered when they tried to award him a medal for long service!

Dr. Marigo Raftopolous, an expert on the psychology of employee rewards, says these findings are not surprising. "Employees were never in it for the gold watch," she says. "Tenure-based employee rewards are a legacy of the post- war industrial era, where management style was hierarchical and authoritarian. Some of these practices still exist today unfortunately, which is

Dr. Marigo is an Expert Advisor to the European Commission for Gamification

The popularity of tenure based programs can be attributed to their ease of implementation and execution. It's easy for HR to check tenure milestones and fetch an appropriate gift from the company storeroom. But evidence suggests this isn't an effective way to move the needle on performance, particularly in retail.

A Better Program

Our research has revealed that the most effective rewards programs of today, and the future, will:

- Reward specific achievements and behaviors that align with organizational goals
- Reduce the lag between behavior and reward
- Personalize rewards, or allow employees to choose rewards that are uniquely meaningful to them
- Offer experiential and non-monetary rewards that give employees a sense of purpose
- Reward both inputs (ideas, suggestions, and effort) and outputs (specific outcomes)
- Incorporate rewards into fun games and tournaments, which are particularly engaging for millennials
- Use rewards to elevate high-performing staff as role models
- Leverage technology to create an employee rewards system that is automated and scalable
- Reward positive behaviors automatically using gamification

Reward specific achievements and behaviors that align with organizational goals and personal KPIs

A well-executed employee rewards program could be the missing link between your organization's high-level goals, your personal KPIs as a manager or director, and the day-to-day behaviors and priorities of employees.

To begin designing any rewards program you must have an understanding of what truly matters to your organization, whether that's increasing store revenue, providing a competitor-busting level of customer experience, increasing upsells, or building a strong culture of teamwork, leadership, and mentorship.

The most effective rewards programs will focus around rewarding staff behaviors that contribute to these overarching goals:

To increase revenue: Reward employees who make the most sales in a certain time-period, who sell high-margin products, or who sell the highest volume of products.

To provide industry-leading customer experiences: Reward employees who receive positive reviews from customers, or employees who always seem to go the extra mile to give customers a great experience.
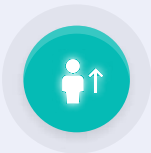
To increase upsells: Reward employees who sell the highest amount of add on products. In a wireless retail setting this could be phone cases, screen protectors, and extra coverage.

An ideal mix of rewards includes rewarding some behaviors and achievements that are indicative of high performance, as well as rewarding some behaviors and achievements that contribute to team and company culture overall.

Dr. Marigo Raftopolous says it is incredibly engaging when employees feel their individual goals align with what the organization is trying to achieve. "Staff inherently look for this as it gives them a framework to work with and terms of reference to guide them. Having a clear sense of direction is, in itself, motivating to staff."

Part 2

Reduce the gap between behavior and reward

The most powerful rewards are as close to instantaneous as possible. If your rewards program moves slowly, the link between behavior and reward is weakened, and the impact of the reward is reduced. Rewards are a form of positive reinforcement, and behavioral psychologists have found that immediate reinforcement is much more effective than delayed reinforcement.

Dr. Raftopolous explains that this cycle of behavior and rapid reinforcement forms what is called the core feedback loop. "The core feedback loop connects goals, calls to action, job completion, and recognition or rewards that prompt the next cycle or level of action."

We've found many organizations successfully use a two-stage rewards process. First, the employee is rewarded instantly with a non-monetary currency (such as points, stars, or in the case of Arcade, tokens) which can be awarded in the time it takes to tap a smartphone screen, or draw a number on the break-room whiteboard. This currency can be redeemed for a real-world reward which may be delivered several days later.

Tye Stahly, Operations Manager at wireless retailer PCS Partners, says he regularly gives employees on-the-spot rewards of tokens for reaching sales goals or providing excellent customer experiences. He's able to do this instantaneously via the Arcade mobile app.

This additional reward reinforces the emotional impact of on-the-spot recognition for employees. Employees can then redeem tokens for a real-world reward that is meaningful for them.

In the behavioral psychology literature, these immediate 'token' rewards are called secondary reinforcers. Cash is also considered a secondary rather than a primary reinforcer. It has value because it can be used to purchase primary reinforcers, such as a new laptop, or dinner at a nice restaurant.

The theory holds that secondary reinforcers become psychologically linked with primary reinforcers, so that receiving a secondary reward produces the same level of brain activity as receiving a primary reward. Because of their emotional impact and the ability to award them immediately, we believe secondary reinforcers like tokens are a core element of current best-practice employee rewards programs.

Part 3 — Personalize rewards

Cash bonuses and prepaid debit cards have for a long time been seen as a suitable "one size fits all" reward for every employee. However, research suggests that employees tend to absorb monetary rewards into their salary and end up spending the value of the reward on bills and other household expenses. In doing so, employees don't get to experience the adrenaline rush and positive memories associated with a reward that is meaningful for them.

Personal Reward Ideas

• Lunch on management
• Tickets to favorite band
• Paid night for baby sitter
• A kegerator, seriously
• Hour passes for game breaks
• New desk, new desk location
• Extra work from home day
• Technology refresh
• Paid for course of choice
• Paid for car detail service

The best employee rewards generate a positive emotional impact that reinforces the behavior being rewarded, and builds positive memories that are linked to your organization. To do this, rewards must be well-suited to the individual staff member. The days of "one size fits all" rewards are over. However, it can be difficult to choose the perfect reward for someone else, regardless of how well your managers know their staff.

Our research has shown that the most effective organizations allow employees to choose rewards that are meaningful to them. Some organizations achieve this by using platforms like Arcade to manage a large

range of custom rewards. Ideally, employees should have input on the range of rewards on offer. "This way they feel that they are part of the decision-making process," says Dr. Raftopolous. "Different kinds of rewards are important for variety and novelty. It's best to survey your staff and get to understand what works well for them."

For some employees, particularly employees with families or other responsibilities outside of work, flexibility may be the ultimate reward. A long lunch-break, a free pass to come in to work late or leave early, an extra day of paid time off, or the ability to work from home for a day may be truly priceless to some employees.

Gallup recently found that employees care as much about increased flexibility as they care about monetary bonuses. The difference is that, unlike money, flexibility gives employees an opportunity to create strong positive memories associated with your organization.
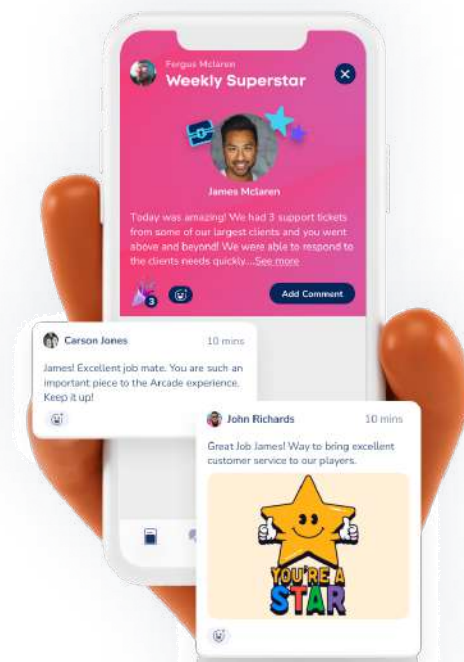
Part 4 — Offer non-monetary rewards

The majority of retail sales associates are millennials. If this is true of your organization, it's worthwhile to understand the kinds of rewards that are most effective for this age group.

A recent study by Harris Group found that 72% of millennials value experiences more highly

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than tangible items. Airbnb credit, tickets to a sports game or musical, or a family pass to a theme park are all examples of experiential rewards that enable your employees to create positive memories associated with your organization. However, just as there are no tangible rewards that suit every single person, not everyone values the same experiences equally. Allow your employees to choose an experience that is most meaningful for them.

A substitute for offering experiences is to reward your employees with the flexibility to create their own experiences, such as an additional day of PTO on their birthday.

Your employee rewards program should also incorporate what is **intrinsically rewarding** to employees. As opposed to extrinsic rewards (which have monetary value), intrinsic rewards have no external value. Instead, they have internal value to the employee.

Dr. Marigo Raftopolous suggests that intrinsic rewards are the #1 motivators for employees.

> **"Countless studies have shown that humans are primarily motivated by intrinsic motivations such as autonomy (being allowed to practice independence and self-management), competence (being able to learn skills and develop deep knowledge), and relatedness (being able to feel connected as a valued member of a community). When a workplace enables people to tap into their intrinsic motivations, people are happier and perform better, and this has a direct impact on the productivity, innovation and profitability of an organization."**
>
> —**Marigo Raftopolous,** PhD

Examples of rewards that have instrinsic value rather than extrinsic value

- Being given a personal shout-out at an All Hands meeting

- Being offered new, sought-after responsibilities

- Receiving mentorship, or being given the opportunity to mentor or train someone else

- Empowering employees to learn a new skill or attend a training course

- Being given greater trust and access to information

Unlike extrinsic rewards, you can't directly "give" intrinsic rewards to your employees, as the reward is the employee's own sense of satisfaction at having achieved an important personal goal. However, you can create the circumstances necessary to activate an employee's own intrinsic rewards system.

Both the intrinsic and extrinsic rewards valued by your employees will vary. One employee's most valued reward might be the opportunity to attend a sales training course. Another employee's most valued reward might be a family trip to see the latest Marvel movie. And another employee's most valued reward might be a new gadget.

The most effective total rewards systems will give employees their ideal choice of reward, whether intrinsic or extrinsic, monetary or non-monetary. In a recent report on the state of employee rewards, KPMG predicted that employee choice would lie at the core of rewards programs of the future.

Reward both inputs and outputs

Efforts and achievements are not always linearly connected. One employee may work extremely hard, provide excellent customer experiences, and yet still have a bad sales week due to factors outside their control.

Another employee might put in a 50% effort and yet, by stroke of luck, happen to serve a customer intent on making a big-ticket purchase that bumps up their sales figures for the week. In both cases, effort and achievement are unrelated.

If you only reward achievements you may miss other beneficial behaviors, such as going the extra mile to solve a difficult problem for a customer, contributing a great idea in a staff meeting, or coming up with a better, more efficient process in-store. A well-rounded rewards system will reward both achievement and effort. The underlying message is that positive behaviors over the long-term will eventually produce positive outcomes.

Sometimes more effort means better results, but not always!
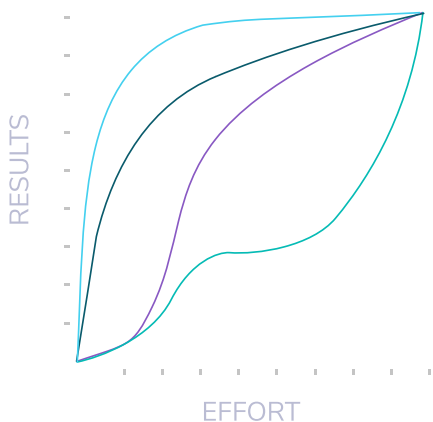
Incorporate rewards into fun games and tournaments

Competition is the primary ingredient in high performance. Even if someone is performing well outside the context of a competition or game, they're usually still competing against someone very important: themselves!

The Arcade App gives you many ways to create competitions. If you can measure it, Arcade can create a leaderboard for it!

By setting up competition-like scenarios and games you can amplify the effects of your rewards system by encouraging friendly competition between staff, between teams, or between stores. Our experience suggests that games, tournaments and sales contests are the best way to boost performance when you need immediate results.

If you'd like to learn more about running performance-based games and contests check out our additional guides on our resources hub.

Elevate your best staff as role-models

The most powerful effects of a good total rewards system are, somewhat counter-intuitively, not the effects they have on the individual employee being rewarded. Research published by the Institute for Employment Studies revealed that one of the most beneficial effects of rewards programs was their ability to elevate staff as role-models, thereby lifting the performance of all the staff around them. By rewarding one staff member for positive behavior or achievements you increase the likelihood that other employees will adopt the same behaviors. The benefits can flow through entire teams, stores, and regions. This effect is particularly strong if you have the means to recognize your employee publicly on a company-wide platform.

| Friendly | Teaching | Leadership | MVP | Performance |

The Arcade app comes with Recognition Stars - an excellent way to reward positive behavior or achievements. Star recipients are made public, announcing star events to everyone.

Use technology to manage your total rewards system

According to the Incentive Research Foundation's recent trends study, almost 90% of large businesses report using technology to help them manage their rewards and recognition systems, and we expect this figure to move toward 100% in the next few years.

There are two factors driving this transition. Firstly, a well-executed total rewards system is very difficult to run totally offline, particularly from a reporting and auditing perspective. Secondly, the available technology has improved in recent years, and is generally much more affordable than attempting to administer a total rewards program without the use of technology.

Gross Sales
Reward spend

| Jan | Feb | Mar | Apr | May | Jun |
| $100 | $150 | $150 | $100 | $200 | $250 |

The Arcade app gives your leadership insight into how reward spend impacts performance.

# Reward positive behaviors automatically using gamification

The logical evolution of immediate rewards are automatic rewards. In the years prior to digital rewards management systems these kinds of automatic rewards were impossible, but this is no longer the case. Employees can be automatically rewarded for their behavior with the use of gamification: the process of turning something into a game.

According to Inc.com the average American millennial has spent between 6,000 and 9,000 hours playing video games (including mobile games) by the time they turn 21. In a survey by MTV, half of millennials responded that "people my age see real life as a video game". If a large percentage of your retail workforce falls into the millennial age-range then gamification may be particularly effective at increasing engagement.

Digital employee engagement platforms like Arcade can reward employees based on predefined or in-built criteria, such as recognizing a colleague, or winning a sales contest. Some of the rewards are free, like earning badges and gaining levels on the app. Others can be defined by you, such as awarding a certain number of tokens to the team that finishes first in a sales contest. All of these rewards can be automatic, meaning they're immediately rewarded without intervention from managers.

As organizations increase the scale of their rewards programs, automatic rewards will become even more essential.
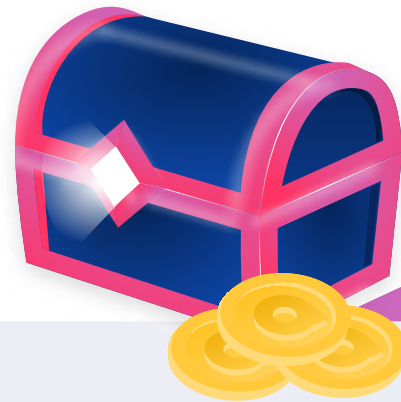
Chests: Employees in Arcade automatically earn chests for participating in conversations and more.

Responsibilities: Arcade lets employees track their responsibilities as scores, giving them a familiar way to see progress towards their goals.

Conclusion

How can you create a modern effective reward program?

We created Arcade so you can easily implement the kind of reward program described here. It includes instant rewards, the ability to add a range of custom rewards, and makes use of both intrinsic and extrinsic rewards.

Arcade also allows you to track employee behaviors that contribute to important KPIs, and to reward key behaviors immediately and automatically through the use of gamification and pre-defined rules.

Alternatively, you can create your own total rewards system. If you decide to go down this route, you'll need to ensure you can confidently answer each of the following questions:

- Which employee behaviors do you most want to encourage?

- How will you reward desirable employee behaviors as quickly as possible?

- How will you personalize rewards to suit individual employees?

- How will you combine both intrinsic and extrinsic rewards?

- How will you gamify rewards to better engage millennial employees?

Whichever route you choose, Dr. Marigo Raftopolous stresses that for best results, your employees should be involved every step of the way.

"Get your employees to be part of the process of setting goals, values, communication and the reward and recognition systems that evolve from this. This in itself will be a huge boost to employee engagement in your workplace."

— Marigo Raftopolous, PhD

We Make Fun Out of Work

Learn how companies all across the world are using Arcade to level up their team's performance, engagement, and motivation!

Explore Arcade

About Arcade

Arcade is a Performance Enagement solution that helps increase employee productivity, engagement and retention through gamification. Contact us to learn how the power of gamification can radically change the trajectory of your team!

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