The Importance of Employee Motivation

Over the years, a number of theories have been published regarding employee motivation and its function in the workplace. Consistent to all theories is one single, undeniable fact:

*Motivating employees directly contributes to increased performance and efficiency.*

According to the Journal of American Academy of Business, there are four main principles of employee motivation: need, equity, expectation and job design. These principles represent the motivating factors that drive employee performance and can be addressed in a variety of ways. Solutions include, but are not limited to, financial incentives (cash, merchandise, travel), fringe benefits (company car, private health-care), and non-financial incentives (job enlargement, competitive leaderboards).

While the relative effectiveness of these solutions depends on factors like company size and make-up, the consensus among incentive experts expresses a common theme, namely that incentive motivation achieves results:

When questioned about the importance of incentives, 92% of respondents state that incentives are the reason they achieve their goals.

WHY do motivational incentives encourage better employee performance?

Motivational incentives are a driving force behind employee performance because of the nature of business and the goal-oriented atmosphere of the workplace. To better understand this, we need to take a look at an example of how motivation functions. If you are a player on a basketball team, your goal, your motivation, is to win. To win, you need to score more points than the other team, which itself is the product of goal-achievement. If you are able to succeed in the pursuit of this goal, then you will achieve the primary goal of winning.

Now imagine that after achieving your goal and winning the game, you are told by the powers that be that your success will not be acknowledged, and worse, that no one was even keeping score! Furthermore, these powers then go on to tell you, “OK, now play again.” Do you think in the next game you will be as motivated to achieve results? Of course not, because your motivation has been stripped away. If no one’s keeping score and no one can win, then the ambition for playing the game – inasmuch as it is a goal-oriented activity – becomes null and void.

The obvious retort to this example is that in business, salary can be the motivating factor, and that any other esoteric need for recognition is mostly extraneous. Unfortunately, this has been proven not to be the case. Money, whether as a salary or as a benefit, is viewed primarily as compensation, not as an incentive. The consequence of this distinction is that money only motivates people to do their job, not necessarily do their job well, or better. This concept has been supported by numerous studies, the most well-known of which is Frederick Herzberg’s Two Factor Theory. According to Herzberg, “those factors encouraging motivation (job satisfaction) have little connection with money and are more associated with personal development and achievement.” Things like pay and benefits are significant ingredients in terms of leading to job dissatisfaction (in that they are lacking or unsatisfactory), but they are not particularly motivating in a positive sense.

As the findings in the study indicate, the chief motivating factors for employees are things like recognition, responsibility and achievement. This also relates to what industry professionals call "trophy value," a term that is used to denote the disparity between monetary incentive rewards (like cash or discretionary gift cards) and physical rewards (merchandise or travel). A physical reward represents the success one has earned - it acts as a tangible reminder of achievement. Money, on the other hand, is quickly deposited into one’s bank account, becoming indistinguishable from other compensatory savings. This helps explain why:

- 4 out of 5 incentive participants agree that travel and merchandise rewards are remembered longer than cash
- Tangible award programs outperform cash-based programs by a ratio of 3:12
When a team wins the NBA Championship, they earn almost $2 million. But you will not see the players posing for pictures next to piles of cash. No, they want a snapshot of themselves standing next to the Championship trophy, because it is a symbol of their success and hard work, an experience of achievement that can never be taken from them. They want a memory of the experience, because the memory is what motivates them into the next season. This is not just true of athletes or employees, but of everyone: The memory of accomplishment serves to motivate people in their future performance.

**How does employee motivation promote company success?**

The truth is that none of what has been reported here has any bearing if the company at large is not benefiting. So here are some facts that illustrate the double benefits of incentives on individuals and organizations:

- Companies that found an effective way to recognize employee performance realized a median total return to shareholders of 109%, compared to 52% for employers that did not. (Watson Wyatt Worldwide Study)
- On average, tangible incentives increase employee performance by 22%. (The Incentive Research Foundation)
- When incentives are targeted across an entire organization, an average 45% increase in performance can be expected. (The Incentive Performance Center)
- Programs that are maintained for 1 year or longer generate a 44% increase in total performance. (The Incentive Federation)

The facts support the philosophy. When employee motivation is fostered through performance incentives or recognition programs, the company as a whole sees returns. This is why the yield of these programs is always measured in ROI. While many executives still look at incentives as discretionary expenses, those involved in this $46 billion industry view it in a much more progressive light. “These well-designed programs,” explains Karen Rank, executive director of the IMA (Incentive Marketing Association), represent “a sound investment in a business’s greatest asset–its employees.” From a strictly business standpoint, this makes sense. To invest in human capital - via performance incentives or recognition programs – is to engage employees in a tangible way. To engage employees is to acknowledge their individual importance to company success and motivate them to achieve. And to motivate employee achievement, to inspire better individual performances, is to boost company sales, loyalty and overall success. The conclusion: motivating employees to succeed is a powerful business tool that, when used properly, stimulates company growth and improves overall achievement.

*For more information on incentive programs, contact HMI Performance Incentives at 1.800.434.034 or visit us at www.hmiaward.com*