

# FINDING THE BEST MOTIVATOR: Tangible Rewards vs. Cash

A white paper presented by the Incentive & Engagement Solution Providers (IESP)





## MOTIVATION IS MYSTERIOUS

### How Do We Know What Motivation Is?

Motivation is measurable in two ways: one is the decisions we make on how to best spend our time, energy and other precious resources. The second is through how neuroscience measures brain activities connected to feelings and actions.

Neuroscientific studies about how our brains function when we receive rewards double down on past psychological research. When we experience earning a “tangible reward” our brains release dopamine, subsequently our desires to pursue certain pleasures are simple and directly connected to motivation.



## AN EFFECTIVE FORMULA FOR MOTIVATION: HEDONIC & LUXURIOUS

Ran Kivetz, PhD from Columbia University and Yuhuang Zheng have studied the way rewards and behaviors are connected. Their research identified the types of rewards that get the most people engaged in doing something.

The research revealed that people put forth greater effort when the reward is unique or indulgent (by definition luxurious), but not so when the reward was utilitarian in nature. A reward that enjoys the combination of being both hedonic (emotional) and luxurious (desirable, but

unobtainable) is the ultimate combination for gripping our attention. It dispenses dopamine into our brains and turns on the motivation engine.



## OUR PREFERENCES ARE DIFFERENT FROM OUR MOTIVATIONS

It is natural for preferences to evolve as circumstances change, and sometimes we are unaware of how our preferences or our employees’ preferences can be disconnected from what truly motivates us. Consequently, what employers think motivates staff and what actually serves to motivate are often two different things.

## Keep the Dollar Sign Away from Rewards

One of the critical components in making rewards motivational is keeping cash out of the equation. Separating awards from basic income and compensation is essential to making the reward promotional, making it emotional (hedonic), and generating the yearning for something that is desirable and unobtainable (luxurious).

For example, non-monetary point systems are separate and distinct from our checking and savings accounts. Frequent flier miles and hotel night-stays, for example, are not cash. They remain independent of our brain’s “money” account. And, in the mental account of money, one wins and the other loses.



When our brain keeps a separate account associated with points, it keeps points (or this currency) separate from compensation and therefore is more easily measured against the emotional (hedonic) and desirability (luxurious) aspects of the rewards.

At the same time, we humans have insatiable desires and long to be seen as successful in the eyes of our peers. We want to go faster on the treadmill, to experience the thrill of the pace. But very quickly, we can easily grow accustomed to it. Extra cash can have the same effect. In the days following a cash deposit into an employee's account, it's either already spent or forgotten about. It becomes routine.

Allan Schweyer and Ashley Whillans, PhD from Harvard Business School found the same thing with employees. Mere comp was expected and routine. However, it was noted in their 2018 paper, "As expected, employees who also received non-cash compensation tended to be happier and were in fact kept more engaged."

They went further to suggest that non-monetary rewards positively influence the securing of new talent. Prospective employees, they said, are more likely to choose jobs with greater non-cash benefits and lower salaries when employers shrewdly market the perceived value of these non-cash benefits. To sway the best candidates, if your compensation plan is at minimum competitive and the non-monetary rewards are excellent, you'll win.



## CONSIDER THE SOCIAL SIDE

The social side of rewards also carries three unique elements.

1. As mentioned, non-monetary rewards can be easily separated from monetary currency. This results in a **social currency** that money doesn't have.

2. Non-monetary rewards **don't create a calculative mindset** created by monetary rewards. Their values are often ambiguous, and they are many times perceived to be of even higher value.
3. Non-monetary rewards can be used as **signals** (trophy value) that cash awards can't compete with.

Separability is a concept that Scott Jeffrey, PhD used when describing the power of non-monetary rewards. Any reward that is not explicitly cash or a cash equivalent will be separated from money, compensation and paychecks. Without a dollar sign, the award acquires social currency.

Consider this thought experiment: When you take out your wallet to buy something online or in a retail store, whose money are you spending?

Anytime a cash value is applied to an award, whether it is explicitly cash or in the form of a cash-based card, the psychological perspective is that, I'm spending MY money.



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However, the social currency of non-monetary points allows recipients to “get what they want” without any indulgence guilt. They’re not spending their money – they’re spending points that in fact, were intended for outstanding achievement and accordingly indulgence.

The underlying motivation to acquire an award is based on a social norm, or what social scientists refer to as signaling. In other words, we like to talk about our accomplishments. A tangible reward acts as a signal of success; to the recipient, their family and friends. Money goes to a direct account deposit. It’s desensitized. We never see it, touch it, feel it. It goes to pay bills.

In addition, our social norms dictate it would be unacceptable to post photos of our last bonus check on social media. However, posting socially-acceptable non-monetary rewards, shines through, and communicates one’s achievement and success.



## SCIENCE CAN HELP

When senior leadership uses only monetary rewards (cash incentives) they’ll find employees get accustomed, even entitled, to them.



Therefore, HR and sales leaders need to keep trying different types of rewards, and expectations for earning them, to learn what will enable the desired impact on your corporate culture, your teams or your business channels.

Finally, non-monetary tangible rewards allow the rewards to remain in this social realm within your company. As it keeps them separate from compensation plans and the paycheck, non-cash reward systems enable far more creativity and more flexibility to “change it up” a bit at the sponsor’s discretion. Try changing your program and see what happens!

In summary, the best thing for leaders to do is to ask the tough questions:

- Have we tackled this issue with a balanced approach of cash/non cash?

- Are we truly motivating our teams with all the tools at our discretion?
- Can we further strengthen our ties from our company to our employees?
- Are we providing the psychological income and respect we all want in our work?

Think carefully. Is it really all about the money? Or perhaps, can we get the same results and actually spend less money? Study after study reveals if you ask your employees or sales teams what they want, their logical brains will kick in and tell you “more money”! The underlying current is: “I have bills to pay.” No one feels they make enough money. The science however demonstrates, this response does not necessarily accelerate the motivation.

The best practice? Seek the right blend. ■

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## About the Incentive & Engagement Solution Providers

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