

2016

Non-monetary Awards: Helpful or Harmful?

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Publication Info

2016.

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Non-monetary Awards: Helpful or Harmful?

Research that recently appeared in the *Strategic Management Journal* shows that *awards*, or non-financial incentives that attain value through public recognition, are not necessarily positive. Instead, awards, much like financial incentives can also harm organizational value and consequently require substantive planning, care and consideration. The authors also argue that there appears to be less potential for destructive behavior when the awards are discretionary rather than confirmatory. Discretionary awards are those are offered after something has occurred and are completely at the discretion of the manager to be offered broadly, whereas confirmatory awards are based on pre-determined behaviors and objectives.

Key Takeaways:

- As with financial incentives, awards can create value through increasing employee motivation and employee retention.
- As with financial incentives, awards can destroy value when not implemented well.
- Discretionary awards are likely to be less destructive to organizational value than confirmatory awards.

The authors reviewed relevant award studies to examine beneficial and detrimental effects of awards. Their review shows that awards, even when there is no monetary benefit, are highly coveted by employees at all organizational levels, increase retention rates, and are effective for establishing role models. The authors also

argue that granting awards based on subjective behavior is less likely to induce negative behavior than awards that are based on predetermined criteria. Further, more ambiguous awards make it more challenging for competitors to understand the implications of the award and thus less likely to try to poach such award winners.

The research team also notes that because of the public nature that often accompanies awards, these nonfinancial awards can sometimes drive more sustainable behavior and affect a wider range of employees than financial rewards that are focused on specific individuals. Further, while adding cash to an award may increase the intensity with which employees strive for the award, the authors believe that cash can contribute to negative behaviors including greater envy among coworkers. Alternatively awards without cash have similar benefits without some of the negative ramifications and are less costly to deliver.

Source: Gallus, J. & Frey, B.S. (2016). Awards: A Strategic Management Perspective. *Strategic Management Journal*: 37, pp. 1699-1714.

