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The Power of Recognition

# Motivate or Alienate: Employee Recognition & Rewards

Mom was right. Thank you's matter.

According to the U.S. Department of Labor, the number one reason people leave their jobs is because they don't feel appreciated.<sup>1</sup> Shocking isn't it? Or maybe it isn't. We all want to feel valued—it's part of human nature.

Abraham Maslow was a psychologist who theorized that humans are motivated to act in order to satisfy certain needs. These needs fall into a five-level hierarchy with physiological and safety needs being most important, followed by love, esteem, and finally, self-actualization.

As our needs at each level are met, those motivations become less important in our lives. Most of us have ample food, so when offered a catered lunch in exchange for meeting a particular department goal, employees are far less motivated by the meal than by the celebration of a job well done.

"Workers in the United States, generally, are not starving, not homeless, and not deprived of friends and family," writes James P. Kohn. "Therefore, motivators in the workplace are those opportunities that allow workers to increase their sense of self-respect or their perception of prestige."<sup>2</sup>

The argument, then is, employees will be most motivated by activities that build confidence, that provide a sense of contribution, and that earn them respect. In a practical sense, this means that recognition can be a powerful motivator.

Frederick Herzberg is a well-known psychologist who focused his study of human motivations on the workplace in particular. His Motivator-Hygiene theory suggests that employees are influenced by two sets of motivating forces. The first (the Motivator set) leads to job satisfaction and includes factors such as achievement, recognition, and professional growth. The second (the Hygiene set) leads to dissatisfaction and includes salary, benefits, policies, and the physical working environment.



<sup>1</sup> Rath, Tom, and Donald O. Clifton. *How Full Is Your Bucket? Positive Strategies for Work and Life*. New York: Gallup P, 2004.  
<sup>2</sup> Kohn, James P. *Ergonomic process management a blueprint for quality and compliance*. Boca Raton: Lewis, 1998.

Critical to Herzberg's theory is the idea that these sets work independently. In the Hygiene set, low pay or decrepit office equipment lead to dissatisfaction, but higher pay or a modern environment do not conversely lead to satisfaction. According to Herzberg, increases in pay or benefits merely create neutral feelings, or an absence of dissatisfaction. Only motivators such as recognition, responsibility and growth can lead to job satisfaction.<sup>3</sup>

In other words, compensation is important but it will only get you so far. To build a truly engaged workforce, recognition matters.

## Beyond the psychology

These theories have been borne out in study after study. Humans crave recognition, and recognition leads to increased loyalty and improved performance.

In one expansive study, employee recognition firm O.C. Tanner Co. and research firm Jackson Organization found a positive correlation between employee recognition and financial performance. The researchers surveyed 26,000 employees and asked them to rate their level of agreement with this statement: 'My organization recognizes excellence.'

For companies with the worst perceived recognition—those in the lowest quartile—financial return was poor across three critical measures: return on equity, return on assets, and operating margin.

Companies in the lowest quartile had a 2.8 percent return on equity, while companies in the top realized ROE of 8.7 percent—triple the return. Measurements for return on assets showed similar results, with top recognition givers performing three times as well as those on the bottom.

Of all the financial measurements, operating margin showed the most significant benefit from a high-recognition culture. (Operating margin shows how much a company makes from each dollar of sales.) Companies in the highest quartile of agreement reported an operating margin of 6.6 percent, while those in the lowest quartile reported 1 percent.<sup>4</sup>

How do we explain those financial returns? Improvements in productivity and performance are likely reasons.

In *How Full is Your Bucket*, authors Tom Rath and Donald Clifton make a compelling case for employee recognition, pointing to multiple studies which show that people who received positive reinforcement were healthier, more productive, more loyal, and otherwise more engaged.



<sup>3</sup> Ibid.

<sup>4</sup> *Recognition Pays: Discovery White Paper. Rep. 25 May 2005. O.C.Tanner/The Jackson Organization. 13 Apr. 2009* <[http://www.dhrm.virginia.gov/publications/ahrs/july05/oct05\\_250whitepaper.pdf](http://www.dhrm.virginia.gov/publications/ahrs/july05/oct05_250whitepaper.pdf)>.

The earliest comes from a 1952 study in which Dr. Elizabeth Hurlock conducted an experiment to see how fourth and six grade math students would respond to different types of criticism. Conducted over five days, the study singled out one group of students for praise, another for criticism, and a third group that would be simply ignored.

Students who were praised showed the best progress in their math scores with a 71 percent improvement. Those who were criticized improved by 19 percent and those who were ignored bettered their scores by just 5 percent.<sup>5</sup>

Not surprisingly, negative sentiments can be detrimental to a person's progress. But Dr. Hurlock's was possibly the first to show that positive feedback could be such a powerful motivator.

Now that we understand the value of recognition, let's evaluate the theory and best practice behind using it in a work environment.

## Rewards versus recognition

When we set up an interview with Roy Saunderson, president of Recognition Management Institute and author of *Giving the Real Recognition Way*, we asked if he would talk with us about employee rewards. Saunderson agreed, but took issue with the language. The bigger issue he said, was employee "recognition."

Saunderson's company is often called in to workplaces when an internal survey reveals recognition is low. Most organizations are running some type of recognition program (89 percent according to a recent WorldatWork survey<sup>6</sup>), so when employees give the company low marks in that area, leadership is puzzled.

What Saunderson finds at these companies typically doesn't surprise him. "Too many companies have hooked onto programs thinking 'if I'm doing a program, I'm doing recognition,'" he said.

Programs, he says, should be one tool in an overall recognition culture. The foundation should be day-to-day recognition whereby managers greet employees by name, provide verbal acknowledgment for quality work, and otherwise interact with team members on a personal level.

"A lot of this is the please and thank you concept that mum taught us," he said. "If you've done something noteworthy, don't we just say thank you?"



<sup>5</sup> Rath, Tom, and Donald O. Clifton. *How Full Is Your Bucket? Positive Strategies for Work and Life*. New York: Gallup P, 2004.

<sup>6</sup> WorldatWork. "New WorldatWork Survey: Trends in Employee Recognition 2008." Press release. Scottsdale, Arizona. Apr. 2008.

Dr. Aubrey Daniels author of *Bringing Out the Best in People: How to Apply the Astonishing Power of Positive Reinforcement* agrees.

“Recognitions and rewards should be a backup to day-to-day management,” Daniels said. “The main thing with recognitions and rewards, the thing that bothers me,” he said, “is that people think it’s just something you do occasionally. You can certainly do positive reinforcement many times every day.”

Sincerity, however, is key. Walking down the hallway throwing out indiscriminate ‘Hey, thanks,’ and ‘Nice job’ won’t have the desired impact. Effective recognition is sincere and specific, like this:

“Great job landing that story in the local paper, Jim. I really appreciated the opportunity to tell people about our apprenticeship program. I know it’s going to help us recruit some valuable team members.”

Note the manager uses Jim’s name. She mentions a distinct accomplishment and then explains how Jim is making an impact on the company.

Can you remember the last time someone gave you a specific compliment like that. Imagine how it made you feel. Probably a little bit proud and a little bit more motivated, right?

Now imagine Jim’s manager has an assistant who’s helping her acknowledge employee accomplishments. On her assistant’s reminder, the manager sends Jim a short email with exactly the same praise as our example above. But later that same afternoon, Jim and his manager sit down to discuss a new project and the manager says nothing about Jim’s recent success.

In this scenario, the manager has recognized Jim as if it were a task on his to-do list—a job to be expedited as efficiently as possible. The recognition loses a good measure of its sincerity and impact when Jim’s manager fails to connect on a personal level.

“Real recognition is appreciating people for who they are and recognizing them for what they do,” Saunderson said. “The first level of recognition is connecting with people.”

## Tangible rewards

The great thing about everyday recognition is that it impacts so many people, potentially 100 percent of your team. Programs and rewards, on the other hand, are designed to honor a few. By focusing on programs alone, a company probably reaches less than 10 percent of its population.



All the same, that's not to say the experts advocate doing away with programs, rewards, and other tangible recognition. Rewards are a valuable tool to recognize milestones, goals, and measurable performance.

"Rewards come in only when you have done something," Saunderson said. "Give recognition along the way, and then you can celebrate what's been done."

Dr. Aubrey Daniels also advocates for tangible rewards because they "anchor the memory" of exceptional performance. Logo'd apparel, watches, clocks, and desk sets are all appropriate when given with proper warmth and honor. "It stands for an accomplishment and creates a memory," Daniels said.

At ADS Corporation, the company uses a variety of rewards including 'On the Spot Awards.' The program honors employees who go above and beyond their normal job description with an immediate \$250 bonus and a certificate of appreciation. End of the year profit-sharing is an additional incentive.

"Your deliverables in a services-type industry speak for themselves," said Traci Ince, vice president of sales and marketing for ADS Corporation. The company provides government support with financial and budget analysis, engineering, science and technology program management.

Overall, Ince says, incentive reward programs at ADS Corporation have contributed to a heightened sense of employee worth, morale, increased production and overall customer satisfaction.

At Coastal Contacts ([www.coastalcontacts.com](http://www.coastalcontacts.com)), an online retailer of eyeglasses and contact lenses, leadership instituted a "Mini Program" to recognize star employees.

The concept is simple: an employee works extra hard, contributes more than his/her peers, and gets rewarded. The reward itself however, is not so ordinary.

Roger Hardy, Coastal Contacts CEO, went on vacation in Italy a few years ago and took a tour of the Ferrari car factory. On this tour, he noticed boards in each department, including employee names and their performance results. These boards made it obvious which employees were producing the most and which were slacking off.

Hardy loved the idea and immediately put the chart system into action when he arrived back at the office. The system rewards core values-based activities with performance points that all team members in the department can see.



At the end of each quarter, the employee in each department with the most stars is given a reward. Of course, since the idea came from a car factory, the reward is a car! Unfortunately corporate Ferraris weren't in the budget, so Coastal Contacts got the next best thing: a fleet of Mini Coopers!

Winners get full use of a Mini Cooper for 90 days—insurance, but not gas, included. They're welcome to rack up the miles and are encouraged to take it on weekend getaways, as long as the company is notified ahead of time. At the end of the quarter, they turn over the keys to the next company stars.

"It's been positive for both the company and the employees," said Edith Crispin, Coastal Contacts human resources generalist, who coordinates the program.

Employees earn points for meeting performance goals, generating ideas that will save the company time or money, or for being nominated by a team member or superior. Plus, every quarter the company chooses a performance theme—such as teamwork, for example—that creates additional action opportunities.

The company has five Mini Coopers in its fleet. Since the program launched in 2007, over 50 Coastal Contacts employees have taken home one of the cars.

According to Crispin, there wasn't any resistance to the public leader points and point keeping. "All people really thought about was the fact they could get a car," she said. "It definitely incentivizes them with some friendly competition. Crunch time at the end of the quarter is fun."

Notably, the company puts no limits on how many times an employee can receive the reward. "If you've earned it, you've earned it," Crispin says.

Michelle Lane, marketing coordinator, is one of those outstanding performers who's taken a Mini home more than once. Like many Coastal Contact employees, Lane doesn't own a car and typically relies on public transport in the company's home city of Vancouver, British Columbia. She is soundly appreciative and says the Mini is "very convenient."

All the same, Lane says she doesn't focus on leader board standings. "If I try to do a good job, it's because I want to and because I believe in their goals for making a better customer experience," she said. "It just happens to be a nice bonus."



## Building a culture of recognition

At ADS Corporation and Coastal Contacts, employees are engaged and motivated to provide outstanding service. That type of engagement is present in companies that realize the value of creating a recognition culture.

To make that happen, says Saunderson, senior leadership needs to be clear that everyday employee recognition is part of a manager's responsibilities.

"Managers need to learn that this is the way we do things here," Saunderson said. Companies can provide training that help people be more attentive and empathetic.

As Saunderson explains, many workers ascend the corporate ladder because of technical expertise—the star accountant who's later put in charge of her department, for example. But these technical experts may not be natural leaders—those people who inherently understand how to recognize and motivate others.

"So now you take these qualities, and you teach that person, 'These are some of the behaviors and skills you might want to develop,'" Saunderson said. "That's understanding what people's needs are and understanding the principles of giving meaningful recognition."

Notably, training may be key to making your workplace rewards efforts more successful. According to a study conducted by World at Work, 89 percent of companies use recognition programs, but most—a whopping 81 percent—don't provide any recognition training to their managers.<sup>7</sup> Perhaps that's why, according to one Gallup poll, two out of three employees receive no workplace recognition in a given year.<sup>8</sup> There's some kind of disconnect.

For some managers, pressing workplace demands taking precedence over recognition. Still others are simply uncomfortable doling out thanks and praise. They're afraid of coming across as too touchy-feely or insincere. But when top level leadership builds an expectation of recognition—and then gives managers tips to recognize effectively—these challenges can be overcome.

"It's amazing how many organizations need to start by teaching their leaders (at all levels, from CEO to frontline) how to say 'thank you,'" wrote Michael Zimet in an email. Zimet is president of Pennsylvania-based Dialogue Solutions. "Literally. It's amazing how many employees are thrilled when their manager walks up to them (or emails or



<sup>7</sup> WorldatWork. "New WorldatWork Survey: Trends in Employee Recognition 2008." Press release. Scottsdale, Arizona. Apr. 2008.

<sup>8</sup> Rath, Tom. "The Best Ways to Recognize Employees." Gallup Management Journal. 09 Apr. 2009 <<http://gmj.gallup.com/content/13888/Best-Ways-Recognize-Employees.aspx>>.

calls) and says, 'Hey, great job, thank you.' It's much more powerful than people realize."

Zimet remembers a valuable tool in use at IBM when he worked there years ago. The company published an internal paper, as part of their manager's manual, entitled 200 Ways to Say Thank You.

"It was a straightforward list of ideas that started with the act of actually speaking those two words, but offered managers a broad range of options and tools they could use," Zimet wrote.

Examples he remembered include:

- Give them a voucher for a dinner for two
- Bring in coffee and donuts in the morning
- If it's someone who doesn't work for you, write them a quick thank-you letter and copy their manager



"The reality is that even these simple acts work wonders," Zimet advised, "especially these days, when the workplace is filled with added uncertainties and tensions."

Another trick, for managers who need to build a recognition habit, is to carry a few reminder tokens around in your left pocket and then transfer those tokens to your right, one-by-one, each time you express appreciation.

Recognition is a soft skill, but it can be developed. "It's got to be sincere and consistent," Saunderson said. "That then becomes leadership, not a program."

## Peer-to-Peer

But managers aren't the only ones who can (or even should) be responsible for workplace recognition. Companies are finding value in peer-to-peer programs that foster camaraderie and teamwork.

Cindy Ventrice, author of *Make Their Day! Employee Recognition That Works* suggests that an ideal recognition culture includes 50 percent management recognition, 30 percent peer appreciation, and 20 percent formal company rewards.<sup>9</sup>

<sup>9</sup> Hastings, Rebecca R. "Peer-to-Peer Recognition Is Good but Not Enough." Rideau. 15 Jan. 2009. 9 Apr. 2009 <<http://www.rideau.com>>.

Peer recognition at its best is spontaneous and natural. But formal programs can encourage a spirit of friendly gratitude. Once people start, the effect is often contagious.

In a peer-to-peer recognition program after our own hearts, Batzer Inc., encourages staff to recognize each other by handing out 'Blue Slips' that honor team members for demonstrating company values such as being proactive, cooperative, respectful, accountable, consistent, or solution-oriented. Employees fill in the name of the person they're recognizing and give a specific example of the value demonstrated.

Blue Slip recipients can redeem the commendation for a variety of logo'd company products such as shirts, sweatshirts, thermoses, lunch pails, or coffee mugs. Afterwards, the Blue Slips are recorded in the employee file and sometimes shared publicly in the employee newsletter.

Karen Holt, the human resources coordinator at this Oregon-based general contractor, says that in three years she's never seen any abuse. She figures the whole program costs anywhere from \$500 to \$1000 a year. Notably, she points out that employees across the organization use it—trade workers as well as office staff.

"I just had one turned in that said 'hard worker, being a team player, staying on-task, and being consistent,'" Holt said. "This was from one of our site work crew members to his boss...Cool huh?"

The 'Blue Slip' program reinforces company values that are spelled out to employees their first day on the job. Each employee is given a laminated card with the company values. Posters throughout the main office and newsletter items, serve as regular reminders.

The program is part of a Batzer's strong culture of teamwork. "They really do mean a lot to those who both give them and receive them," said Holt. "The givers are just as happy and the receivers."

## Informal & habitual

Think back to Dr. Elizabeth Hurlock's study with the student math tests. The students who were ignored made the least amount of progress—only 5 percent improvement, compared to 71 percent from the kids who were praised. That says something pretty powerful about the importance of regular recognition, doesn't it?

"Anytime you have an organizational accomplishment and you don't do something, and you take that for granted then you've got a negatively reinforcing workplace," said Dr. Daniels. "People com to feel their effort is taken for granted and they tend to do what they're paid for and nothing more."



Formal programs can help an organization honor significant accomplishments, but those programs are meaningless if they don't build on a foundation where informal, spontaneous recognition is a habit, not an exception.

Build those habits with endorsement from leadership, management training, peer-to-peer recognition programs, and a liberal dose of thank you's.



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