

## **“How Recognition Works”**

*Excerpted from WINNING WITH A CULTURE OF RECOGNITION  
by Eric Mosley and Derek Irvine*

The transformative power of rewarding behavior to drive values deep into an organization relies on clear and consistent communication at all levels and in every location of a company. No tool is more powerful for achieving this than strategic recognition.

Managers will ask, “What’s the point of recognition? Employees do their jobs and I pay them. Why should I do anything more?” To answer this question, we need to look at what drives workplace behavior and the extent to which managers can inspire increased engagement and thus greater performance.

Managers who rely on pay alone to get desired performance will meet some limited success. Employees who are just looking for the security of a paycheck will generally show up and perform the tasks in their job description. This is a recipe for mediocrity. In fact, this point of view demonstrates an obsolete view of management itself, for the manager must continually prompt, cajole, and direct behaviors.

The usefulness of recognition to the manager lies in making the right behaviors and attitudes self-sustaining. To understand how recognition accomplishes this, consider the psychological effect of different rewards.

Employees think of a salary or hourly wage as the minimum contract between them and their employer. A business friend we know is fond of saying, “Whatever I pay someone, it won’t be enough in six months. They’ll get accustomed to the paycheck arriving (imagine their reaction if it didn’t), but they’ll stop relating it to the growing, ever-changing challenges of their jobs. Some other reward has to feel as fresh and immediate as today’s big project.”

The social architecture of every business bears complex interactions in which factors like power, prestige, friendship, affinity, hostility, prejudice (negative and positive), security, confidence, trust, and faith inspire action. In fact, it’s not just the reality of these factors, but their perception, that matters a great deal to whether a person feels engaged in his or her work.

Into this welter of emotions wades the manager, trying to inspire great performance and discourage mediocrity with a few tools. Compensation is a critical tool, but in most jobs it is the one the manager can affect least. In brief, a paycheck is the minimum requirement of the working relationship—no work, no pay.

### **Psychic Income**

Human beings have a fundamental need for social acceptance, increased self-esteem, and self-realization. x In a business setting, these needs can never be met by cash compensation, which organizational psychologist Fred Herzberg found could only prevent people from being dissatisfied. Salary is what we call tangible income—vitaly important, but related to material needs as well as status or power.

Study after study shows that nonmonetary rewards are the key to improved performance. These rewards, which we call psychic income, are cost-effective as well. They are more flexible, affordable, and immediate than salary.

Psychic income is the provision of social acceptance, social esteem (leading to self-esteem), and self-actualization. Paid in the “currency” of recognition, psychic income is intangible but no less real than material income.

This is reminiscent of leadership guru Stephen R. Covey’s metaphor of the “Emotional Bank Account.” Covey’s model portrays acts like courtesy, respect, and honesty as deposits in the account, and discourtesy, disrespect, and dishonesty as withdrawals. The balance in Covey’s Emotional Bank Account is the amount of trust in a relationship.

### **Research Insight**

More than half (53 percent) of those surveyed say that their boss is dishonest, and the same amount say that their boss is unfair. Others described bosses as impatient (58 percent), disloyal (66 percent), and lacking motivational skills (76 percent). These numbers are staggering, given that nearly all (89 percent) say that the employee/boss relationship is one of the most important links to job satisfaction.

—Adecco Group North America

So it is with psychic income. Managers and executives pay out psychic income to employees with acts of respect, esteem, dignity, and high regard. They reduce psychic income with acts of disrespect, humiliation, disinterest, and low regard. The balance between these is the amount of psychic wealth accumulated at work.

Organizational psychologist Fred Herzberg identified only one management tool—recognition—that could result in employee satisfaction because only recognition feeds psychic income needs. And you don’t have to wait until payday to make a deposit.

### Incentives vs. Recognition

An executive may respond, “What about incentives for performance? When my sales staff exceeds their goals, they get bonus pay. When my managers perform exceptionally, they get profit-sharing (cash or stock options). We hold incentive competitions in which the top five performers get a trip to Cancún. Isn’t that incentive enough?”

Yes, incentives can be effective management tools, but recognition is qualitatively different. It’s not a question of whether management needs one or the other, because recognition inspires a different set of psychic rewards than incentives. The table below contrasts the qualities of incentives versus recognition.

Incentives	Recognition
Objective targets	Subjective behavior
Known reward (no surprise)	Unknown reward (surprise)
Known frequency	Unknown frequency
Infrequent (e.g., annual bonuses)	Frequent (every hour, every day)
Tangible reward primary	Intangible reward primary
Intangible reward secondary	Tangible reward secondary
Numbers-based	Values-based
Focused on elite few	Focused on many

For example, incentives are earned based on objective targets. The reward is based on milestones agreed in advance, almost always in terms of financial performance. For a sales executive, there’s a clear numerical connection between closing the sale and getting the incen-

tive. Most employees don't have that clear of a connection; their daily performance has a minimum requirement but no direct incentive to perform better. Recognition, on the other hand, rewards behavior based on values, culture, and other less easily quantified but no less important factors.

Like salary, incentives operate as a relationship between the employee and the organization, again based on financial performance. Recognition operates more as a direct relationship between the employee and his or her manager, and this is a critical difference. According to one aphorism, "People join organizations but leave managers." Recognition fosters a positive relationship with the boss.

With incentives, the number is the primary reward—it's all about keeping score. (Exceed the quota by 10 percent—get X reward. Exceed it by 20 percent—get 2X reward.) With recognition, the primary rewards are prestige, pride, satisfaction, and other psychological rewards that can far exceed the actual monetary value of the recognition given.

Recognition rewards behavior in real time or soon after. Incentive requires more time between the action and the reward.

Note that recognition is not restricted to honoring intangible values. Some of the most effective recognition programs celebrate financial performance, hitting milestones, saving money, and similar goals. The key difference between incentives and recognition is recognition's connection between values and behavior.

Thus, incentives and recognition coexist as different management tools, addressing different critical goals of the organization. We might say that incentives are about hitting targets (left brain) and recognition is about applying values (right brain).

### **Building a Culture of Appreciation**

The mediocre manager, contemplating paychecks going out every few weeks, likes to think that his or her employees should be grateful to have a job. Perhaps they are, but that attitude has culture management backward. In a well-run company, the organization and the individual manager acting on its behalf harness the power of appreciation not by receiving it, but by giving it to the employees.

Let's look at the aspects of appreciation that make it essential to culture management:

**Appreciation is motivating.** People like being thanked. It feels good, affirming their worth and value. How do they get more thanks? By repeating the behavior that wins thanks.

**Appreciation is humanizing.** The ability to express appreciation is a key strength in a leader. Appreciation is an emotion that, in many cultures, lends power to someone else, in the expectation that they will receive it. Can you imagine having your thanks rejected? It makes the person saying "thank you" a little less exalted, a little more human.

**Appreciation is specific.** "Thank you" is reacting to a specific act, achievement, or attitude that's recognized in the transaction. It also lends credence to the importance and value of that act.

**Appreciation is empowering.** First, appreciation empowers by affirming the power of the individual to make a choice. (I don't have to earn your appreciation, but I choose to.) Second, because appreciation can be expressed by anyone in the hierarchy to anyone else in the hierarchy, it is a reward that potentially cuts across the class and culture lines of an organization.

**Appreciation is powerful.** Spiritual leaders emphasize the importance of gratitude on the path to wholeness. National leaders thank soldiers for their service; mayors offer the thanks of a grateful public to first responders to emergency situations. And notice how often the most enlightened business leaders attribute their success openly and often to their employees.

Appreciation establishes a psychological contract between employees. Complete that contract and you are assured more productive relations among workers. Break that contract and you are assured higher turnover, lower engagement, and a population of employees who deliver below their full potential.

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