It's Kudos Not Cash

How Non-Monetary Social Recognition Delivers More For Less

by Steven Green



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Monetary incentives don't buy workplace happiness. The age old methodology of motivation, using monetary 'carrots' - such as perks or financial remuneration - has a weak exchange rate with today's knowledge worker, for whom the most valuable currency is recognition. As the Harvard Business Review explains: "Though necessary, these extrinsic motivators [perks, promotion, pay] don't necessarily excite people to work smarter or harder. Instead, they prompt employees to do only the minimum required to get that next raise or job title."1 Incentives create a culture of entitlement, a 'what-have-you-done-for-me-lately' exchange. They can be a deterrent, as cited in studies by MIT, the London School of Economics, and Carnegie Mellon – all of which note that it is intrinsic motivators that yield positive returns.2

"Humans aren't horses," says Dan Pink, author of Drive: The Surprising Truth About What Motivates Us.³ Put another way: 'carrots' do not work as a motivator. Instead, as the studies illustrate, it is intrinsic motivation – such as recognition – that gets results.

Variations in recognition and praise account for 10 to 20% differences in productivity.4



Notes:

- 1 Harvard Business Review: (2007, May). Build a motivated workforce [Electronic version]. Harvard Management Update, Retrieved May 23, 2011 from www.hbr.org.
- 2 Pink, D: (2009, July). Dan Pink on the surprising science of motivation [Electronic version, video]. TED Talks, Retrieved March 25, 2011, from http://www.ted.com/talks/dan_pink_on_motivation.html.
- 3 Pink, D: (2010, January). Daniel Pink: What really motivates workers [Electronic version, video]. CBS moneywatch.com, Retrieved May 23, 2011, from http://moneywatch.bnet.com/career-advice/video/daniel-pink-what-really-moti vates-workers/386642/.
- 4 Wagner, R., and Harter, J.K: (2006). 12: The Elements of Great Managing. New York: Gallup Press.



Recognition = Real Returns

Organizations pay a high price when they involuntarily lose employees. There are the direct expenses, such as recruitment and training; indirect costs, such as decreased morale and the effect on discretionary effort – directly linked to customer satisfaction, loyalty, and to lost revenues; and opportunity costs, such as project delays resulting from the loss of employees and the knowledge they take with them. Recognition translates to retention and increased effort. Employees are less likely to look for greener pastures and more likely to give more when they feel valued, as seen in the findings of a Gallup study of over 10,000 business units and more than 30 industries.⁵ This employee engagement benefits the bottom line in measurable ways, with the right non-monetary social recognition program providing:

- Improved employee and customer retention
- Increased productivity
- Decreased operational costs

"I know of no other strategy in all of management that yields a higher return on investment. In my estimate, the ROI is 1:100. In other words, for every minute spent on reinforcing behavior you can expect a hundred minutes of initiative in return," says Dr. Paul Marciano, a leading authority on employee engagement and retention.6

Notes:

- 5 Rath, T., and Clifton, D.O: (2004, July). The power of praise and recognition [Electronic version]. *Gallup Management Journal*, Retrieved May 23, 2011 from http://gmi.gallup.com/content/12157/power-praise-recognition.aspx.
- 6 Marciano, P: (2010). Carrots and Sticks Don't Work. United States: McGraw-Hill.





Recognition: Unleashing Social and Intellectual Capital

At one time machinery or land determined an organization's success. Today it is all about the people. They represent the intellectual capital – the unique knowledge and skills – of the business. The sleekest offices, the most sophisticated equipment; they are nothing without motivated talent.

Organizations that build on their natural resources, their people, are firing on all cylinders. The right social recognition program leverages an organization's people and their stories to shape the corporate culture. It builds networks, tapping into and enhancing connections between employees, regardless of location or their place on the org chart. These networks – representing an organization's social capital, because of how they can be utilized to support people and projects - strengthen an organization's most powerful asset, its talent. Sharing success stories across the corporate intranet also transforms recognition into a valuable asset for employee development and collaboration, easily accessible to all. Organizational advantage accrues from the capabilities organizations have for creating and sharing information. states the Academy of Management Review.7 This builds an organization's collective knowledge. Incentive programs simply can't compete.

In today's knowledge era, enterprise success is defined by innovative ideas, superior products and service – all of which are driven by an organization's natural resources: its people.



Notes:

7 Nahapiet, J., and Ghoshal, S: (1998). Social capital, intellectual capital, and the organizational advantage [Electronic version]. *Academy of Management Review*, Retrieved May 23, 2011 from

http://www.hkbu.edu.hk/~vwschow/lectures/ism3620/rp01.pdf



Recognition: Numbers Speak Louder Than Words

The value of non-monetary recognition initiatives can be demonstrated by looking at the metrics that can be monetized, as well as the intangible returns. Retention rates and productivity levels can be measured, with increased numbers translating to a high return on investment. Surveys and focus groups can add to this ROI picture, by taking into account how much loyalty and pride employees feel, and their response to recognition efforts.⁸

The studies – from MIT, the London School of Economics, Carnegie Mellon and more – show that the monetary 'carrots' offered by traditional incentive programs are not effective. Their findings confirm that it is intrinsic motivation, such as recognition, that engages employees. According to a Gallup study, companies that had higher-than-average employee engagement also had 27 percent higher profits, 50 percent higher sales, and 50 percent higher customer loyalty. Kudos or cash? Done right, recognition – not rewards – is the heart of enterprise, pumping life into employee engagement, productivity and retention.

"All told, experts
estimate that replacing
an employee is
likely to cost twice
the departee's
annual salary."11

"Frequent recognition is a surefire – not to mention affordable – way to boost employee engagement, and to keep good people," according to the Gallup Management Journal.¹²

Notes:

- 8 Saunderson, R: (2010, April). Top 10 tips for solid recognition ROI [Electronic version]. *Incentive Magazine*, Retrieved May 23, 2011, from http://moneywatch.bnet.com/career-advice/video/daniel-pink-what-really-moti vates-workers/386642/.
- 9 Pink, D: (2009, July). Dan Pink on the surprising science of motivation [Electronic version, video]. *TED Talks*, Retrieved March 25, 2011, from http://www.ted.com/talks/dan_pink_on_motivation.html.
- 10 Wagner, R., and Harter, J.K: (2006). 12: The Elements of Great Managing. New York: Gallup Press.
- 11 Harvard Business Review: (2000, April). Employee retention: what managers can do [Electronic version]. *Harvard Management Update*, Retrieved May 23, 2011 from www.hbr.org.
- 12 Robison, J: (2006, November). In praise of praising your employees [Electronic version]. Gallup Management Journal, Retrieved May 23, 2011 from http://gmj.gallup.com/content/25369/Praise-Praising-Your-Employees.aspx.



About Steven Green



Steven Green is the founder of TemboSocial (formerly PollStream), a leading provider of interactive engagement and community building solutions. Steven built TemboSocial with the intention of helping global companies to engage their customers and employees in

measurable and meaningful two-way dialogue. As a result he has become a valuable resource to key decision makers as they explore the growing field of online dialogue and social media. With an impressive roster of clients, such as The US Navy, TD Bank, eBay, and Best Buy, Steven continues to grow TemboSocial's reputation as an innovator of online solutions designed to segment, engage and inform. He has a BA from McGill University in Montreal and a Social Work degree from York University in Toronto.

About TemboSocial

TemboSocial enables the social enterprise for some of the world's most progressive organizations, such as TD Bank, Macy's, Best Buy and the US Navy. Leading companies turn to TemboSocial's hosted suite of tools to foster collaboration, conversation and recognition among employees, customers and prospects.

www.tembosocial.com

