

Turbocharging Employee Engagement

The Power of Recognition From Managers

Part 2 — The Circle of Recognition

Originally published by Towers Perrin

Like sports-car drivers, senior executives are constantly looking for ways to generate more power. One of the best ways to boost a car's output is to turbocharge it. Adding a turbocharger (which pumps heated air into the cylinders) can increase horsepower by 30% to 40%. How can a company deliver a similar boost in employee engagement? As we discussed in Part 1 of this two-part series, research that Towers Watson conducted for O.C. Tanner in 2008 (see sidebar) shows that employee recognition by supervisors and managers can turbocharge employee engagement, increasing it in some cases by as much as 50%.

Inclusiveness Creates the Opportunity

Part 1 described three requirements for effective recognition by supervisors and managers: inclusiveness, communication and trust. Inclusiveness begins with frequent recognition opportunities. Can you imagine a sports announcer who asks the crowd to hold its applause until the end of the game? Of course not; fans want to clap and cheer at every opportunity, and the athletes want to hear their appreciation. The same notion — at lower decibels — pertains at work. Frequent recognition is like applause; it rewards the accomplishment in real time.

To be inclusive in their recognition of employees, managers need to ensure wide availability of recognition opportunities. This means that everyone must have

the opportunity to excel and be appreciated, and that the criteria and rules (formal or informal) must be clear and fairly applied to all employees. Fairness isn't just a social nicety. Managers must follow a specific set of requirements to ensure fair and widespread availability of recognition. The four key requirements for fairness are:

- **Fair process** — The consistency and equity of the means by which recognition is delivered. People believe processes are procedurally fair when they can voice their opinions and have some influence over the outcome.
- **Fair outcome** — The degree to which a result conforms to the individual's personal sense of worth or accomplishment. Distributive fairness is heightened when people see the clear connection between recognition and performance.
- **Fair treatment** — The consideration, respect and sensitivity people receive when recognition is delivered. Interpersonal fairness reflects how people experience the emotional context of recognition, whether receiving it themselves or witnessing others being recognized.
- **Fair explanation** — The clarity of information that accompanies the distribution of rewards and recognition. The criteria for informational fairness include reasonableness, candidness, thoroughness and timeliness.

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About the Recognition Study

The 2008 Global Recognition Study was conducted by Towers Watson for O.C. Tanner, a major provider of appreciation awards, training and consulting. It covered 13 countries that included major economies (Germany, Japan, the United Kingdom and the United States), emerging markets (Brazil, Russia, India and China) and

other selected countries that play an important economic and sociopolitical role on the global landscape (Australia, Mexico, Singapore, Turkey and the United Arab Emirates). In total, the research incorporated interviews with more than 10,000 individual workers.

Most important of all, in giving recognition widely and fairly, managers must do something that seems obvious: not play favorites. It's elementary, but it remains a consistent concern of employees. Worries about this clear violation of the rules of fairness frequently emerge from surveys we perform with individual organizations. In fact, data from the 2008 Global Recognition Study suggest that, even in high-performing companies with robust cultures, supervisors rarely score above 70% favorable in avoiding playing favorites.

Communication Defines the Context and Sets the Ground Rules

Just as every car has tires, every manager and supervisor competency model includes communication skills. Like tires on a car, communication skills are basic and necessary, but need to be defined specifically for particular situations. In the context of recognition, communication means more than just keeping information flowing. It means being unambiguous about the connection between performance and rewards of all types.

For recognition to be an effective engagement driver, managers must clearly define performance expectations and, with equal clarity, convey to employees what shape the rewards for performance will take. Research into the relationship between employees and managers has shown that clear reward contingency — making the “if you do this, then we will do this” rules of recognition plain to everyone — contributes strongly to an effective manager-employee relationship. When employees receive appreciation for their work, a factor called the *norm of reciprocity* comes into play. It means that individuals who receive rewards and appreciation for their performance reciprocate with a sense of obligation to respond with continued high performance.*

Moreover, among the fairness requirements we've defined, process-related criteria take on special importance when supervisors communicate the rules of contingent reward and recognition. Employees expect those rules to govern the process at all times, with no exceptions.

“Trusting a manager means having confidence that the manager will keep the employee's well-being at heart and recognize performance when (but only when) it is earned.”

An Airline's Recognition System

A major U.S. airline increased its emphasis on the power of recognition by first streamlining the supervisor role so that supervisors could spend the majority of their time leading teams, engaging employees, and doing what is necessary to provide excellent customer service and get aircraft off the ground on time. Over time, the airline has also refocused its criteria for promotion to supervisor away from operational expertise and toward social and relational skills. According to the director of rewards and recognition, the airline realized that it needed to avoid creating a population of supervisors who understand the technical aspects of serving customers and keeping airplanes on schedule, but who have less comfort in (and skill at) creating a productive (and recognition-rich) work environment.

A specific training module on recognition and on-the-spot informal feedback has been included in leadership training for operational supervisors. The recognition module, along with other leadership training content, has also been incorporated into an online leadership site targeted to supervisors and managers.

The organization will also support supervisors in providing recognition by deploying an online recognition tool. Using the tool, a manager will be able to select a specific business strategy category within which to recognize employee performance, order a token of recognition (a plaque, for example) or print out a certificate. Company management will also be able to track how frequently and consistently specific supervisors use the tool for recognizing employee performance.

With these coordinated efforts — promoting people who have proven relational skills, training supervisors about the importance of recognition and providing program support to implement recognition activities — the organization aims to make recognition from supervisors a key contributor to improving the airline's business performance. The director of rewards and recognition puts it this way: “Recognition by our supervisors is not just an outcome of success — it's a driver of success.”

*Wayne, S.J., Shore, L.M., Bommer, W.H. and Tetrick, L.E., “The Role of Fair Treatment and Rewards in Perceptions of Organizational Support and Leader-Member Exchange,” *Journal of Applied Psychology*, 2002, Vol. 87, No. 3, p. 590.

The second element in the communication category, encouraging employee efforts to develop new and better ways of doing work, takes the manager-employee conversation to a higher level. When employees are empowered to find and implement better ways to work, they have the latitude to define the activities they perform and the mechanisms by which they can do well. Control over the elements of performance, in turn, confers greater responsibility for results, enhances the opportunity for skill development and makes recognition for achievements that much richer. Other Towers Watson research shows that, for manager communication to foster this kind of employee self-determination, managers must do three things consistently: be *attentive* (that is, willing to listen), be *receptive* (willing to acknowledge the value of what they hear) and be *responsive* (willing to take action).

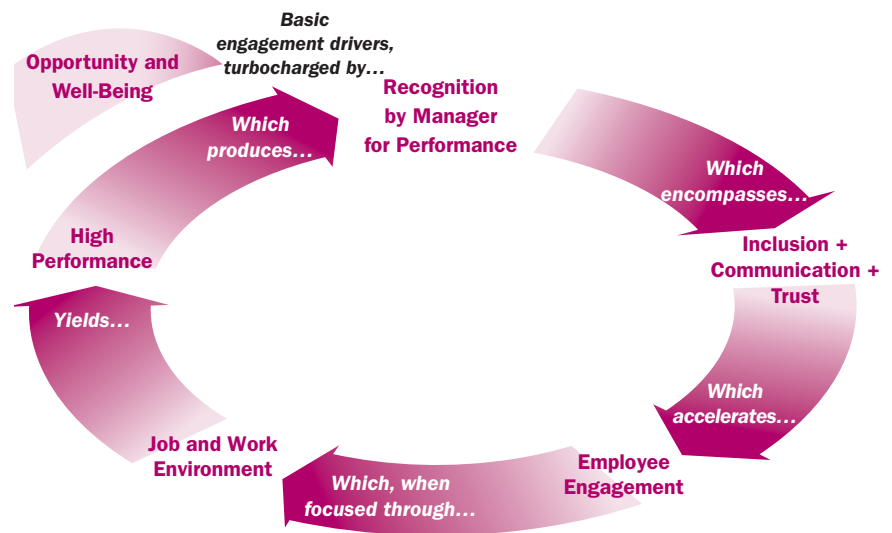
Trust Provides the Emotional Foundation

Reciprocal trust — I trust my manager and my manager trusts employees — establishes the emotional basis for effective recognition. Trust denotes the faith we have that another will act reliably in ways consistent with our best interest. Trust entails a leap of faith. It's fast and simple to cross a chasm by jumping from one cliff to the other. But it's worth the risk only if there's a high, and highly predictable, chance of success, and a good understanding of the rewards that lie on the other side. It's safer to take the long way around and avoid the jump, but more costly in time and effort. Hence, trust is a sensible strategy when (but only when) we have a credible belief that the risk will pay off. From the employee perspective, trusting a manager means having confidence that the manager will keep the employee's well-being at heart and recognize performance when (but only when) recognition is earned.

Our analysis of the data from the 2008 Global Recognition Study showed that trust of the manager as a steward of employee well-being goes up when managers:

- **Engage in candid conversations** — Communication becomes truly personal. Not just an information flow about reward and recognition criteria, but also a frequent, honest, personal chat on topics like individual performance, department and company success requirements, and status updates. Supervisors, in turn, listen to the opinions and concerns of employees whenever employees have something to say.

The Circle of Recognition and Engagement



Source: O.C. Tanner 2008 Global Recognition Study; Towers Perrin analysis

- **Define clear and relevant performance targets** — Managers plan work to focus on the most important goals and break down department objectives into clear responsibilities for each individual employee.
- **Hold people accountable for their results** — Managers evaluate employee performance accurately. When some employees perform below expectations, supervisors deal with it effectively.

These seem like good practices to embrace under any circumstances. Why do they have any special power to increase trust and turbocharge engagement? Because each factor, in its way, makes less daunting the leap of faith that trust requires and renders the likely outcomes more understandable and predictable.

Candid discourse, for example, helps people comprehend the risks required and the rewards available in their work. And when managers focus effort on what really matters and translate goals into actions each employee can take, they provide a road map to performance — no mysteries, no ambiguities, just a clear destination and a reason to drive for it. Accurate performance evaluation and real consequences for high and low performance let people know where they stand against the agreed-upon criteria for reward and recognition. The ultimate payoff closes the circle: Performance produces results, outcomes justify trust, and recognition for performance elevates engagement.

“Recognition, engagement and performance form a self-reinforcing system.”

On the flip side, when employees perceive reciprocal trust from management, they confirm that the organization was right to empower them. To put it bluntly, managers won't empower people they don't trust. A manager's trust in employees, in turn, comes from confidence that employee decision

making will pay off for the organization as well as for the workforce. And when employees believe in management's trust, they have a heightened sense that recognition for accomplishments is deserved — which makes it all the more powerful.

Tipping the Emotional Balance

Psychologists have identified a wide range of phenomena that underscore how negative events, feelings and impressions overpower positive ones. Threats and losses (plummeting investments, abandonment by friends, failure to win the club golf championship) have greater impact on the human psyche than gains and victories (beating the market, making friends, winning the championship trophy). Psychologists call this the *positive-negative asymmetry effect*.¹ One social scientist has gone as far as to estimate the relative weight of positive and negative interactions in personal relationships. He suggests that, for a marriage to succeed, favorable interactions must outnumber unfavorable ones by at least five to one.²

In the current workplace, emotional asymmetry manifests itself in the way downdrafts (events that engender negative emotions), often created by enterprise-wide and economy-wide factors, seem to outnumber uplifts (workplace positives that improve employees' emotional states). In particular, worries about job stability currently dominate employee attitudes.

In a December 2008 Towers Watson survey of employees' views about the recession, people reported that their number one concern about work was having a secure position they could count on for the long term. In fact, the importance of job security rose significantly in just the four months from August (when we conducted an initial survey on key workplace

issues) to December of 2008. Factors such as maximizing earnings and doing exciting work also dropped in importance over this period, corresponding to the changing economic and job climate. Reflecting the asymmetry of emotion, employee participants in one study mentioned negative incidents involving managers 26% more often than positive ones. Moreover, 82% of the negative emotional responses were experienced with high intensity, whereas 88% of the positive emotional reactions carried low or moderate intensity.³

Recognition has a prominent place among the manager actions that create uplifts. In workplace research on the effects of manager behavior, people report increased levels of respect and admiration for managers who consistently provide uplifts for them throughout the day. People who experience this small flow of positive events — a word of praise, an expression of confidence, a tidbit of useful information — also say they are motivated to work harder and are more likely to go out of their way to help their peers or take action that supports the organization. Of course, the reverse is also true. Managers who fail to recognize employee success, or who are disrespectful, arrogant or uncommunicative, create downdrafts in employees' emotional states. These yield predictable and opposite results: lower job satisfaction and more withdrawal behaviors such as absenteeism and turnover.⁴

“All other things being equal, the organization with turbocharged employee engagement puts itself in a strong position to win the race.”

¹Baumeister, R.F., Bratslavsky, E., Finkenauer, C. and Vohs, K.D., “Bad Is Stronger Than Good,” *Review of General Psychology*, 2001, Vol. 5, No. 4, p. 323.

²Baumeister, *ibid*, p. 329.

³Dasborough, M.T., “Cognitive Asymmetry in Employee Emotional Reactions to Leadership Behaviors,” *The Leadership Quarterly*, 2006, 17, pp. 173, 174. Dasborough uses the terms “uplifts” and “hassles” to refer to events with positive and negative effects, respectively.

⁴*Ibid*, pp. 171, 172.

The Psychology of Recognition

As social scientists and neuroscientists study the behaviors and attitudes of people at work, they have uncovered some of the psychological and physiological mechanisms that underlie the power of recognition from managers. It turns out that recognition, engagement and performance form a self-reinforcing system, as shown in the sidebar on page 4.

Recognition sparks feelings of engagement as well as the belief that performance will yield reward. Reward and recognition, and the events that signal them, trigger the release of the neurotransmitter dopamine from several sites in the brain. Research shows that the effects of dopamine are particularly strong when a positive event is unexpected — an unanticipated award, for example, or impromptu public praise for success on a risky project. When an employee has met the defined criteria for recognition, the moment of recognition is expected — appreciated but not unpredictable (particularly if the manager has met the rules of fairness defined earlier). But when a manager surprises an employee — and her peers — with unanticipated recognition, the emotional power increases significantly. Dopamine, and the positive

mood it creates, contributes to innovative thinking and creative problem solving, both important contributors to high performance. High performance, in turn, produces the next round of reward and recognition, which gives rise to engagement and innovative solutions to problems, and the circle continues.*

In all economies, but especially troubled ones, organizations need to recognize the engagement power generated by this virtuous circle. It represents one of management's most potent tools for focusing employees on what matters to the enterprise and reinforcing the behaviors that contribute most directly to strategic success. The most powerful car doesn't always cross the finish line first, of course. Driver skill enters the picture as well, as do road conditions and a certain amount of luck. Likewise, employee engagement isn't enough, by itself, to create and maintain a marketplace lead. But, all other things being equal, the organization with turbocharged employee engagement puts itself in a strong position to win the race.

*Ashby, F.G., Isen, A.M., Turken, A.U., "A Neuropsychological Theory of Positive Affect and Its Influence on Cognition," *Psychological Bulletin*, 1999, Vol. 106, No. 3, pp. 529, 531, 533, 534.

About Towers Watson

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