



The Carrot Principle

How the Best Managers Use Recognition to Engage Their People, Retain Talent and Accelerate Performance

by Adrian Gostick and Chester Elton

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Take-Aways

- Employees hunger for carrots – that is praise and incentives – more than for money.
- Employees who feel valued are more productive.
- Wanting to be recognized is a basic human need.
- Long-term success requires a strong corporate culture.
- Consistent praise and recognition lowers turnover rates.
- Goal setting can change the way people feel about their jobs.
- Managers who can't be trusted are ineffective.
- Dissatisfied employees affect your customers' perception of your business.
- Companies must celebrate successes.
- Intelligent mistakes have value.

Rating (10 is best)

Overall

8

Applicability

9

Innovation

7

Style

7

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Relevance

What You Will Learn

In this Abstract, you will learn: 1) Why employee recognition is such a powerful tool; 2) Why money is overrated as a vehicle for motivation; and 3) How recognition affects business results.

Recommendation

Judging by the results of two recent polls, business owners, executives and managers have plenty of worries. Roughly three-quarters of the U.S. workforce is actively seeking other employment and 85% of the world's employees are not motivated enough to put in extra effort at work. Loyalty and job satisfaction are clearly problems. But Adrian Gostick and Chester Elton strongly believe they have the solution. In analyzing the results of a groundbreaking 10-year study, the authors conclude that employee recognition is the key to boosting staff morale and involvement. Their book explains why managers who are strong in four basic categories – “goal setting, communication, trust and accountability” – invariably have happier employees and get better business results. The authors support their theory with first-hand accounts from a variety of workers and organizations. The book even includes a chapter with 125 really cool recognition ideas. *getAbstract* believes this book should vault to the top of any manager's must-read list, especially if you find it hard to give praise where praise is due. Highly recommended.

Abstract

Kick It Up a Notch

The business world has plenty of terrific leaders and managers. They respect their employees, strive for fairness, and attempt to create meaningful and trusting relationships. They attend every seminar, and read all the latest books on management theory and practice. They are very good at their jobs. But unless they add the special missing ingredient – “purpose-based recognition,” like a juicy carrot on a stick – they won't be great leaders. A pivotal 10-year study by The Jackson Organization, based in Laurel, Maryland, plus 200,000 interviews with managers and employees worldwide, revealed that:

- An indisputable correlation exists between companies that acknowledge excellence and bottom-line financial results.
- Workplaces where employees are recognized for their contributions also rank high for “customer satisfaction, employee satisfaction and retention.”
- Nearly 95% of employees who report being happiest say their managers excel at giving recognition.

Recognition, in fact, is so vital that nearly 80% of employees who quit their jobs do so mainly because of a lack of appreciation. In many instances, what's really missing is a carrot, an “acceleration tool” that motivates and inspires employees. Money is overrated as a reward and motivational instrument. Cash bonuses of less than \$1,000 are spent quickly – usually on bills – and just as quickly forgotten. A sincere pat on the back or dinner for two at a good restaurant are much more memorable.

Proper recognition also is a remedy for turnover, which is very expensive and demoralizing for remaining employees. Many CEOs say that retaining key employees is the single

“Leaders who have made the connection between recognition and communication soon discover that employees are making all sorts of connections – not just mentally, but behaviorally, and even emotionally.”

“The fact is that money is not as powerful a reward as many people think.”

“The best reward is always personal, and tailored to employee interests and lifestyle, given by a manager who cares enough to find out what motivates each individual.”

“All those who work for you have a unique and complex set of values, personality traits and attitudes that must be understood in order for you to effectively motivate them.”

“Recognition gives employees the extra push they need to do their jobs just a little bit better.”

“Organizations that fail to effectively recognize their employees are losing the very workers they wish they could keep.”

biggest factor in their success. Companies that offer excellent wages, solid benefits and opportunities for advancement are baffled when they lose their most talented people. They simply fail to realize that what employees really want are managers who set goals, establish trust, have high expectations and recognize accomplishments in a meaningful manner.

Start with the Basics

Dangling a carrot or two in front of your employees will work only if you’ve already established yourself as a competent leader in four basic areas:

- **Goal setting** – Employees want to understand exactly what tasks they are trying to accomplish individually, and as part of a team and corporation. For instance, a regional sales office needs to know the percentage of sales it is expected to generate in relation to the home office’s overall sales.
- **Communication** – Managers ought to transmit corporate goals accurately to employees, and keep them informed about company initiatives or developments. They should keep their office doors open, encourage discussion and find answers to staffers’ questions.
- **Trust** – Managers earn trust by listening to employees, honoring commitments and admitting mistakes. They don’t lie or mislead. They are more interested in the team’s success than their own.
- **Accountability** – Companies should fulfill the promises they make to their employees and customers. Managers need to find a healthy balance between identifying employees’ mistakes and acknowledging their successes.

A Right Way and a Wrong Way

Managers who believe in recognizing their employees come in two varieties: “expectors” and “altruists.” Their goal is the same, but their motivations stem from different places. Expectors believe that recognition is part of the price of doing business. Expectors need their employees to be productive so they can reach the goals established by their superiors. They hand out gift certificates or tickets to ballgames in hopes of motivating their people. Additionally, they expect their employees to be loyal, and to work overtime or put in extra effort on challenging projects. Employees appreciate their managers’ attempts at recognition, even if the process is a bit manipulative. But they also concede that the recognition often rings a bit hollow and lacks true sincerity if it isn’t presented correctly.

Conversely, altruists legitimately care about their employees as human beings, stand up for their people, and promptly reward outstanding achievement and behavior. Altruists are part of the team, not apart from the team. They understand their employees’ need for recognition on a deep level and don’t hesitate to share credit with their staff. As a result, employees instinctively try harder for altruists, and develop a greater sense of pride in themselves and their organizations.

As the dynamics of the modern-day workplace continue to change and evolve, employee recognition takes on even more importance. Today, an employee no longer expects to spend an entire career with one employer. In fact, an individual may have five or six jobs over the course of a lifetime. Lack of job security is epidemic. Companies are laying off more people and outsourcing more jobs, putting additional pressure on fewer employees. Cell phones and laptops plug people into work at all hours. Employers expect workers to do more for the same pay. That makes work less enjoyable or satisfying for employees, so they seek fulfillment elsewhere.

“Culture is the foundation of everything you embrace, and the reason for everything you do.”

“The most significant transformation within a Carrot Culture takes place not among employees but within the leaders who help to create it.”

“In an organization where leaders are trusted, there is a greater level of employee investment.”

“Building a culture that celebrates is a key responsibility of a leader.”

Altruistic managers who firmly grasp their employees’ “desire for self-realization” work to create an environment that enables staffers to develop skills, assume added responsibilities and receive recognition for achievement. The employees’ trust level rises dramatically in such a setting.

Building a Carrot Culture

Pride. Integrity. Honesty. Respect. Who wouldn’t want to build a business based on those values? The problem is that while many companies talk a good game, reality tells a different story. Companies claim to offer superior customer service, but their telephone operators are rude and their cashiers never smile. Upper-level executives must establish an organization’s core values. Managers should reinforce these values so that the workforce can internalize them. Consistent recognition of employee accomplishments and behavior strengthens and propagates core values.

Culture is critically important. It establishes ethics and principles, and governs behavior. It sets the ground rules for interpersonal relationships and collaboration. Long-term success requires a strong corporate culture. Celebrations and appreciation make staffers feel like integral parts of your company, resulting in a self-perpetuating sense of pride. Basic types of recognition include:

- **“Day-to-day recognitions”** – These frequent, timely nods can be brief hand-written notes thanking employees for extra effort in helping customers. Or, you can call an employee into your office and offer heartfelt thanks for his or her role in completing an important project. Small gift certificates or movie passes are also appropriate tokens of gratitude.
- **“Above-and-beyond recognition”** – Significant achievements merit personalized rewards that managers present in front of the honoree’s co-workers. This kind of attention should go to someone who saves the company time or money, offers a great innovative idea that the firm adopts or healthily exceeds a sales goal. To personalize the reward, focus on the employee’s interests. For example, if the person is a skier, consider a generous gift certificate to a ski shop.
- **“Career recognition”** – These awards are normally associated with the traditional gold watch presented upon retirement, but you can use them to recognize employees formally every two or three years. In fact, you may want to consider recognizing new employees after 90 days and then after a year.
- **“Celebration events”** – Company anniversaries are a perfect opportunity to allow every employee to share in acknowledging corporate achievements. Or, your department can hold an off-site party upon the completion of a particularly grueling project.

Excuses, Excuses

Although an abundance of empirical evidence proves that recognition is an effective motivational tool, many managers are reluctant to utilize it. They don’t think it will work, or they believe it will be too expensive and time-consuming. Managers commonly worry that rewards will create jealousy, but this is a problem you can avoid easily by giving everyone an opportunity to be recognized. If you recognize people frequently, employees will realize that their day in the spotlight will come eventually. Avoid the perception of favoritism by aligning your reward program with the firm’s core values.

Managers sometimes object to recognizing workers who are simply doing their jobs. So why do fans cheer when a major league baseball player hits a home run? After all, that’s what he’s getting paid to do. People performing even the most mundane, menial tasks

“Recognition accelerates business results. It amplifies the effect of every action and quickens every process.”

“A few misguided managers believe that 100% of motivation should be internally driven and that recognition is used only to motivate weaker performers.”

“While goal setting may seem to be a basic management skill, it is actually rare to find a manager who does it effectively.”

deserve recognition. Do not ignore anyone who takes pride in doing good work, from trash collectors to dishwashers.

Some leaders, particularly those who manage through intimidation, are afraid that they will weaken their authority base by recognizing employees. If they are perceived as being “too nice,” they fear, their employees will no longer respect them or obey their orders. To the contrary, employees are much more productive when they work for caring, supportive managers than when they face tyrannical ogres who yell and storm around the office. And, once your employees get a taste of recognition, they are going to want more. Bet on it.

A Few Bright Ideas

You can devise many ways to recognize your employees, limited only by your imagination and maybe your budget. Some rewards are free; others are a little expensive. The important thing is that you do something positive. Here are a few ideas to get the ball rolling:

- Provide a catered lunch for employees who are working on the weekend.
- Bring in an ice cream truck, ring the bells and pay for everyone’s treat.
- Take everyone in your department to a movie premiere.
- Compliment at least one employee every day.
- Host a barbecue at your house.
- Praise an employee before handing over his or her paycheck.
- Drop by an employee’s office just to see how he or she is doing.
- Buy someone a year’s subscription to a favorite magazine.
- Upgrade a traveling employee to business class.
- Write a hand-written thank-you note to a colleague.
- Send an employee to a spa for a day of pampering.
- Send flowers to an employee’s home.
- Take a long lunch and then take the whole department bowling.
- Bring in a fortuneteller.
- Reward an employee for trying something new – even if he or she made mistakes.
- Hand out coupons for a free dessert in the cafeteria in honor of an employee.
- Have your department give a hearty round of applause to a deserving colleague.

Just Start at the Beginning

The hardest part about establishing a “Carrot Culture” is getting started. The whole notion of recognizing employees may be a totally foreign concept in your organization. Don’t feel compelled to wait until your company launches a formal recognition program. Although it may feel awkward, begin by writing short thank-you notes to a couple of employees. Or, if someone is coming up on an anniversary, make a formal presentation in front of your department. After a while, you’ll be comfortable bestowing recognition, and you’ll notice that your employees are happier and more productive. All because of a few carrots.

About the Author

Consultants **Adrian Gostick** and *Chester Elton* are co-authors of *The 24-Carrot Manager* and *A Carrot a Day*. Gostick leads a corporate recognition training and publishing practice. Elton is a frequent lecturer who works with *Fortune* 100 clients.