

“The Carrot Principle”

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Kindle Notes by Dave Kraft

Over the past few years we have been pleased to see the attendance at these annual Carrot Culture Summits soar, where hundreds of CEOs, COOs, senior leaders, executives, and vice presidents of organizations share with their peers how recognition has changed their culture and strengthened their managers’ ability to lead. A recent study we conducted showed that a staggering 74 percent of leaders worldwide still don’t practice recognition with their employees. Show us any leader who sets clear goals, communicates openly, respects people and treats them fairly, holds people accountable, and creates trusting relationships, and we’ll show you a leader who’s almost got it right.

Scientists have known the secret of accelerants for decades, adding them to speed up chemical reactions, achieving results more quickly. Accelerators work the same way in business, making the things you’re doing work better, faster, and more smoothly, without throwing you (or your organization) off balance. It may sound like magic, but it isn’t. The relationship between a management accelerant and improved business results is highly predictable. In fact, an accelerant is the missing ingredient that will bridge the gap between where your team is now and where it can be. And in the workplace, there is no accelerator with more impact than purpose-based recognition. Companies that most effectively recognize excellence enjoy a return that is more than triple the return of those that do so the worst. The teams and offices rated most highly by employees in response to, “My manager does a good job of recognizing employee contributions,” also typically place in the top scores for customer satisfaction, employee satisfaction, and retention.

Lying idle. That’s exactly what the recognition accelerator has been doing in many organizations for much too long. 79 percent of employees who quit their jobs cite a lack of appreciation as a key reason for leaving. Sixty-five percent of North Americans report that they weren’t recognized in the least bit the previous year.

The simple but transformative act of a leader expressing appreciation to a person in a meaningful and memorable way is the missing accelerator that can do so much and yet is used so sparingly. Simply put, when employees know that their strengths and potential will be praised and recognized, they are significantly more likely to produce value.

That leads us to the key finding of the 200,000-person study by HealthStream Research: the central characteristic of truly effective management—the element that shows up time and again in every great workplace—is a manager’s ability to recognize employees’ talents and contributions in a purposeful manner.

The Basic Four areas of leadership:

- Goal setting
- Communication
- Trust
- Accountability

Some 75 percent of the U.S. workforce is not fully engaged on the job. when author Lawrence Lindahl first began studying human behavior at work. Each time the results have been the same. In the survey, managers were asked to name what they thought employees in their organizations wanted. Then management's list was contrasted with the list prepared by employees. Every time, managers guessed that good wages and job security would top employee lists, but their people always cited "feeling appreciated" and "informed."

"U.S. Department of Labor statistics show the number one reason people leave organizations is that they "don't feel appreciated. Perks like tuition reimbursement can never take the place of a frontline supervisor who sets clear goals, communicates, builds trust, holds employees accountable, and then recognizes in an effective manner. investing in recognizing excellence is strongly associated with the best financial performance.

Recognition is one of the key characteristics of effective managers and great organizations. Managers who achieve enhanced business results are significantly more likely to be seen by their employees as strong in what we call the Basic Four areas of leadership: Goal setting Communication Trust Accountability.

For a manager, the bottom line is this: great management is born when recognition is added to the other characteristics of leadership. This is the Carrot Principle. It is a simple concept, but one that works every time. Our data culled from a decade of research show that goal setting, communication, trust, and accountability are the foundational building blocks of effective management. The numbers illustrate clearly that without these Basic Four elements, managers are dramatically less effective. When we have found leaders strategically using praise and recognition in concert with all of leadership's Basic Four, employees are dramatically more engaged in their work and more satisfied with their jobs and with their leaders and their companies.

Lee Elliot, vice president of human resources and development for St. Francis Hospital in Grand Island, Nebraska,

Lee's management concepts are simple (and strikingly familiar). Help the organization succeed by getting everyone on board with meaningful goals and then rewards for achievement. Maintain an open and consultative communication style that provides an environment where employees have the opportunity to do what they do best every day.

Build trust by being ever vigilant to “find someone in the act of caring,” and then share the credit by recognizing this person publicly and in a timely manner. Believe that people can create and succeed, and hold them accountable for great results.

No matter what you sell or where you sell it, great managers in all industries infuse their employees’ work with a clear sense of purpose. Employees need clarity from their leaders: clarity of goals, clarity of progress, and clarity of success. In our research, we found that goal setting had a stronger correlation to employee satisfaction than the other Basic Four skills.

Mission is where you are going and goals get you there. More leaders should start seeing mission and goals as verbs, not nouns. Interestingly, in a recent survey by Right Management Consultants of employees in 336 organizations, only one-third of employees know or understand their employer’s business strategy. A senior leader’s job isn’t to have all the ideas or even most of them. Her job is to communicate corporate goals to employees and motivate them to achieve them. The same applies to a manager. That is a paradigm shift for many of us, requiring a level of trust in employee abilities. A leader who communicates openly with employees typically uses less authority and coercion to keep the company on track.

So what do leaders who openly communicate do? For starters, they: Set clear guiding values and goals. Discuss issues facing the company and the team—not just the big decisions and announcements. Pass on all useful bits of information to employees, especially those that involve change initiatives or that personally affect employees. Make time for employees and listen intently when they express opinions and concerns. Welcome open discussion from team members about rumors they hear. Respond promptly to team member requests for more information. Go up their own chain of command to fill in the details they don’t know. Introduce employees to other key individuals in the organization, sparking dialogue. Give employees online access to relevant databases.

For managers who want to build trust within the organization, this means respecting and listening to employees, treating them fairly, and worrying about the success of their team more than their own success. Since we were children, we’ve asked, “Are we there yet?” As we grow into adults, we typically become more patient, but the need to hit milestones doesn’t diminish. It’s almost impossible to strategically reward employees if you don’t set clear goals.

A recent Gallup Poll found that 65 percent of Americans received no praise or recognition in the workplace in the past year. We found is that a lot of employee work motivation is not as externally driven as we have all believed. A good share of an employee’s attitude toward work is internally driven by a person’s desire for autonomy and achievement. To help their employees reach their goals, today’s enlightened, effective managers are changing the way they lead. They have learned to motivate by tapping into a person’s hopes and attitudes around work. They help employees realize their potential.

They need to feel as if they belong, that they have a vital role in the success of a team or enterprise. And finally, they are looking to feel important and valued in their jobs. In short, employees are seeking validation from their leader. Success doesn't come from being a powerful leader; it comes from leading powerful people."

Recognizing and developing the potential of individuals is the real path to leadership. We must create an environment that celebrates accomplishment based on the unique individual needs of our employees. To reach the heights of effective management, your leadership style must become less focused on tangible outcomes and become more about recognizing the overall impact of your employees' contributions.

The concept of being satisfied but not engaged.

HealthStream Research's research shows engaged employees demonstrate the following virtuous qualities: Innovation and creativity Taking personal responsibility to make things happen Desiring to contribute to the success of the company and team Having an emotional bond to the organization and its mission and vision. What managers need, then, are employees who are satisfied with pay, benefits, and the work environment and who are engaged to achieve. In HealthStream Research's survey of 200,000 employees, only 40 percent were identified as being both highly engaged and highly satisfied. That's reinforced by a 2006 survey of 14,000 workers showing 65 percent of employees are currently looking for other work. That's two-thirds of our people who are searching for greener pastures.

An organization needs to have a Chief Carrot Officer,

Carrot Principle managers build employee engagement and satisfaction by answering three of the most common questions—conscious or unconscious—employees have about their work environment:

1. What's important around here?
2. How can I make a difference?
3. What's in it for me when I do make a difference?

Investing energy in developing the Basic Four skills and the recognition accelerator necessary to build a Carrot Culture. Building a culture that celebrates is a key responsibility of a leader. When celebrations stop, we've found achievement slows to a trickle.

It's called many things: informal, ongoing, ad hoc, or on-the-spot recognition. Three words to remember when providing this type of recognition are:

Frequent, Specific & Timely

A 2005 global workforce study from Towers Perrin has found that 86 percent of the world's employees are not willing to go the extra mile for their employers. A recent Society for Human Resource Management poll found that three out of four U.S. workers are not loyal to their employers and are actively looking for a new job. Similar numbers were found by Salary.com, which polled 14,000 workers to discover that 65 percent were launching some sort of job search. We recommend asking each new employee these questions at your first service award touch-point: after three months of service.

The first question to ask is: "You've been here three months now. Let me ask you, have we lived up to our promises to you?"

Next ask: "What do you think we do best here? I think I know what we do best, but you have a fresh perspective. I want to know what you think we do best."

At your other jobs, I'm sure you saw things that worked really well. Is there anything you've seen elsewhere that we might be able to use here to make our company better?"

Have we done anything in the past ninety days that might cause you to leave us? Remember the words of Henry David Thoreau: "The highest compliment I was ever paid was when someone asked me my opinion and then attended to my answer."

Recognition never loses meaning, and it's best when it's fresh. A realistic approach to tangible recognition is this. Most companies we work with budget about 2 percent of payroll, or about \$1,000 per employee per year, for day-to-day recognition, team event gifts. To rekindle excitement in recognition, start with a simple program that features day-to-day recognition, above-and-beyond recognition, service and retirement awards, and event gifts. Make sure your program is: Strategic: Aligned with your core values and goals Simple: Easy to use and understand Measured: Providing a return on your investment Owned: By your managers and senior leaders

Remember, however, that it's important to keep praise and coaching separate. Take time to thank and recognize, but don't fall into the trap of praising in one sentence, and then reminding of needed improvements in the next. The effective managers we met in our research were not spending more than an hour or two a week on recognition. That's less than 5 percent of their time, but it was time that was paying off in big ways.

Have you ever worked at a place where you were thanked too much?"

Do you think your people will really work harder for someone who is aloof, intimidating, or outright frightening; of course not. People work best for managers who care about them and root for them to succeed. The great leaders we met with in focus groups, to a one, chose to rise above their collective phobias and learned to build a recognition culture. Employees who feel valued and appreciated are much more likely to be fully engaged and to actively contribute to the success of the business. To be effective, individual recognition should be frequent, specific, timely, and public.

Together with Towers Perrin we selected thirteen countries, ranging from major economies (Japan, Germany, the United States and the United Kingdom) to emerging markets (Brazil, Russia, India and China). The survey was given to at least 800 people or more from twelve of the countries, and about 400 from the United Arab Emirates, which has a smaller working population to gain a sample from, giving us a total of 10,333 people surveyed. The margin of error was +/- 3 percent, which means the data has the right levels of validity. The countries included were: Australia Brazil China Germany India Japan Mexico Russia Singapore Turkey United Arab Emirates United Kingdom United States 80 percent of participants worked in organizations of more than 1,000 employees. The results of this survey showed that the factors contributing to employee engagement were highly consistent country to country.

The top-three predictors of engagement, in order of importance, were:

1. Opportunity and well-being, meaning that employees believed their management gave them opportunities for growth and advancement and cared about their well-being as individuals. It also meant that managers involved employees in decisions that affected their work lives and cared about their personal welfare.
2. Trust, meaning that employees believed they worked for people with integrity, especially their direct supervisors. It was also important for employees to feel that people at their level in the organization were trusted and respected by management.
3. Pride in the organizational symbol, meaning that employees who identify more with their company image via their organization symbol were more engaged. While this might seem surprising, what it really tells us is just how important a company's image or reputation is to employees. The symbol is the visible manifestation of a deeper feeling of pride in the organization and what it does.

Predictors of Engagement

1. Opportunity and Well-Being

- My organization's management is interested in the well-being of employees.
- I believe I have the opportunity for personal development and growth in my organization.

2. Trust

- Management trusts the judgment of people at my level in my organization.
- I trust my immediate supervisor.

3. Organizational Symbol

- I feel a strong sense of pride when I see our organization

Towers Perrin has conducted a series of global engagement studies—with close to 100,000 employees in more than eighteen countries—and has consistently found that the top driver of engagement is employees' belief that management is sincerely interested in their well-being. In every country, opportunity and well-being was the number one factor, but “trust” and “organizational symbol” varied from being either the second or third in importance in most countries. The most important factor in promoting feelings of opportunity and well-being is for a manager to regularly appreciate superior work.

What was shocking was the magnitude of the accelerating power of recognition. In fact, from country to country, we found engagement scores as much as two or three times higher when a manager offered frequent, specific, and timely recognition—numbers that the Towers Perrin team called not only statistically significant, but impressive in size and impact.

One of the best things a company could do with a poor communicating manager is to teach him how to appreciate his employees. As in the North American data, we discovered a preponderance of evidence that effective recognition is frequent, specific, and timely.

I'm truly struck that appreciation is the top driver of opportunity and well-being. This study certainly has shed new light on the topic of engagement and shows the importance of managers enhancing the feeling of appreciation in employees. He noted that organizations spend a considerable amount of time and money on leadership training, competency instruction and the like to enhance their leaders' ability to connect with their people. What this study adds to my mind is that in addition there is something more basic that managers and organizations should be examining. And it makes a lot of sense. After all, where does well-being come from: in large part from the sense that my boss cares about me and my performance, which becomes quite clear when you are recognized in front of your peers. That is a strong and important finding from this work. Based on research from more than 200,000 interviews, The Carrot Principle has illustrated the undeniable correlation between recognition and organizational and individual manager success. The Ph.D. statisticians at HealthStream Research have concluded the correlation is so strong that it is statistically impossible to be considered a trusted, communicating, team-building, goal-setting manager unless you are effectively using praise and recognition. A Carrot Culture needs constant watering. We simply can't abide the idea of workplaces where people feel undervalued, underappreciated, and that their talents are underused—especially when the remedy is so obvious and so much fun.