Employee Recognition and Performance: A Field Experiment

Bradler C., Dur R., Neckermann S., Non A. May 2013

Presented by
Luca Sini
Ester Napolitano
Nicola De Echeverria
Employee Recognition and Performance
Theories & Field Experiments

Stajkovic, A. D. & Luthans, F.
Behavioral management and task performance in organizations: Conceptual background, meta-analysis, and test of alternative models

Nelson, B.
1001 Ways to Reward your Employee
“Recognition for a job well done is the top motivator of employee performance”

Levitt, S. & List, J. A.
Field experiments in economics: The past, the present, and the future
Grant, A. M. & Gino, F.
A little thanks goes a long way:
Explaining why gratitude expressions motivate prosocial behavior

List, J. A. & Rasul, I.
Field experiments in labor economics

Bradler C. et al
Employee Recognition and Performance: A Field Experiment

Research question:
How exclusive and inclusive recognition should be?
The Experiment

Large scale field experiment in a controlled working environment

- 8 people in a work group
- Random public recognition
- 25 euro each
- Surprise of the recognition
- Not aware
- Variation on the scarcity
FOCUS
Which was the focus of the experiment?

01. How the provision of recognition affects subsequent performance of workers?

02. How this depends on the scarcity of recognition?

03. How the response of recipients differs from that of non-recipients?
<table>
<thead>
<tr>
<th>Theories</th>
<th>Which theories have been challenged by the experiment?</th>
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| **Reciprocity of employees** | • Balance inputs and outputs  
• Non pecuniary gifts power  
• Social and esteem needs |

\[ u = w + \beta e + yae - e \]

| **Conditional altruism of employees** | • Thank-you card as signal about the employer's kindness/altruism  
• Workers conditionally altruistic  
• Positive effort response to provision of recognition for everybody  
• Costs and number of cards provided depends on employer's type |

\[ u_i = w_i + \beta e_i + y \alpha \sum_{i=1}^{n} (e_i - w_i) - \frac{1}{2} e^2_i \]

| **Conformity preferences of employees** | • Existence of a group norm  
• Focus on the best performing workers  
• Preference for conformity affects the effort in the second period |

\[ u = ye - \frac{1}{2} e^2 \]
Natural field experiment (Harrison and List, 2004)
Participants (who are not aware) observation in a controlled work environment

1. Wage of 25 euro was paid in advance
2. Instructions were provided
3. The assistant left the room
4. Participants worked on the task.
Working period 1: 2 hours

Working period 2: 1 hour

The research assistant entered the room and, depending on the treatment, she did or did not provide recognition by handing out thank-you cards.

Feedback forms were handed.
Treatments
The researchers randomly applied 3 different kinds of treatment to the different groups

- **TC All**
  The research assistant handed a card to each participant

- **TC BEST 3**
  Subjects were informed that the research assistant had only 3 cards available, and had spontaneously decided to hand these out to the three best performants

- **TC BEST 1**
  Identical to TC Best3 apart from the fact that there was only one recipient

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Thank-you card for all

- The research assistant handed a card to each participant

Thank-you card for the best 3

- Subjects were informed that the research assistant had only 3 cards available, and had spontaneously decided to hand these out to the three best performants

Thank-you card for the best 1

- Identical to TC Best3 apart from the fact that there was only one recipient
UNDERSTANDINGS

• Should all employees receive recognition?
• Does providing recognition to all workers demoralize the top-performers, thus creating a culture of mediocrity?
• Or does reserving praise for the best performers come at the cost of discouraging the others?
RESULTS

Focus 1: How the provision of recognition affects subsequent performance of workers?

Reciprocity of employees

Individuals in treatments with recognition clearly improve their performance between working periods 1 and 2 for the different treatments.
Focus 2: How the change in performance depends on the scarcity of recognition?

**Conformity preferences of employees**

Recognition has a strong positive impact on subsequent performance, in particular when recognition is scarce, but not too scarce.
RESULTS

Focus 3: How the response of recipients differs from that of non-recipients?

Conformity preferences of employees

Recipients increase their performance. The performance increase decreases in the scarcity of the recognition.

Non-recipients improve by more than the recipients do.
RESULTS

Were they supposed to provide the best effort in response to the highest incentive?

Conditional altruism of employees

The employees’ effort increase as response to the decrease of the number of TC cards.
But...

...conformity preferences cannot explain all of the results

In particular, recipients of recognition do not always decrease performance, as conformity would suggest, but sometimes (slightly and insignificantly) increase it.

Workers are also reciprocal and hence increase performance in response to recognition.
Limitations & Implications
What can we assume from this research?

01 Employees’ performance increase after recognition is due to the “reciprocity” and “conformity” theories, but it’s not due to “conditional altruism”

02 It might be fruitful to replicate the design with experienced workers and in a setting where other incentives are present

03 Recognition can be a cost-effective tool for increasing average effort

04 Managers need to take into account that the distribution of scarce recognition provides information to workers about the work norm prevalent in the group
THANK YOU

Question ?