

# EXECUTIVE SUMMARY

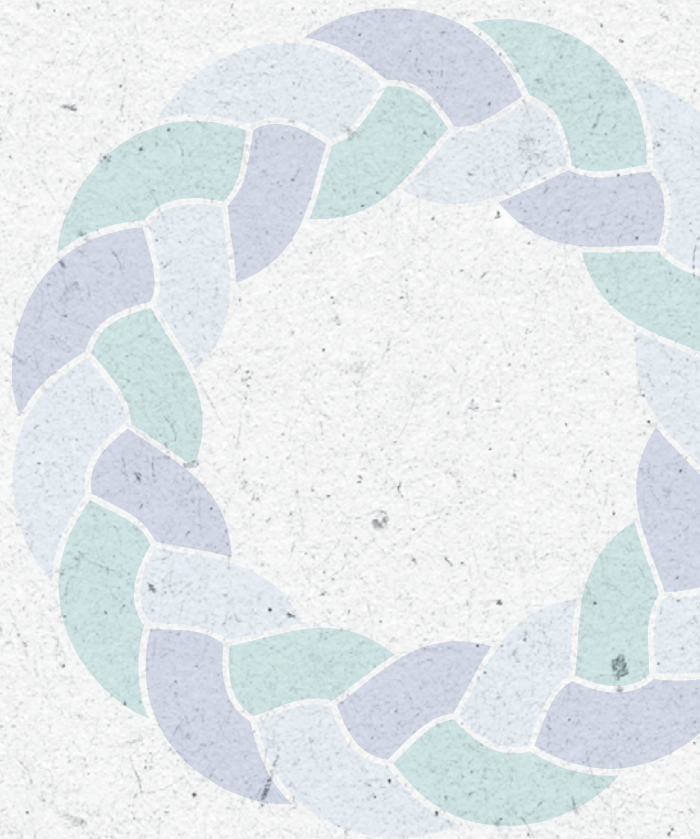
Rapid Evidence Assessment (REA)



## EFFECT OF EMPLOYEE RECOGNITION AND NON-FINANCIAL REWARDS ON WORKPLACE PERFORMANCE

a summary of scientific literature

August 2019



Culture Review **Implementation**  
our journey of positive change



**ACT**  
Government



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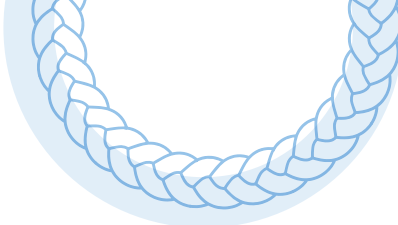
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## What is a Rapid Evidence Assessment (REA)?

Rapid Evidence Assessments (REAs) use a specific research methodology to comprehensively identify the most relevant studies on a given topic, and select appropriate studies based on explicit criteria. In addition, two independent reviewers assess the methodological quality of the studies. In contrast to a conventional literature review, REAs are transparent, verifiable, and reproducible, and as a result, the likelihood of bias is considerably smaller.



## Background

Novartis, a global pharmaceutical company commissioned the Center for Evidence Based Management (CEBMA) to undertake a Rapid Evidence Assessment (REA) to understand what is known in

scientific literature about the link of recognition and rewards with worker performance, specifically:

1. When associates are recognised and rewarded for their contributions, performance will increase.

## What this REA assesses

This REA assesses research literature about the effect of employee recognition and non-financial rewards on performance. In answering this hypothesis, the REA also considers the following questions:

1. **What is meant by recognition and rewards (what is it)?**
2. **What is the assumed logic model – how is it supposed to work?**

3. **What is the overall effect of recognition and rewards on employees' performance?**
4. **What is known about the (positive or negative) effect of possible moderators and/or mediators?**

# Main findings

## 1. What is meant by recognition and rewards – what is it?

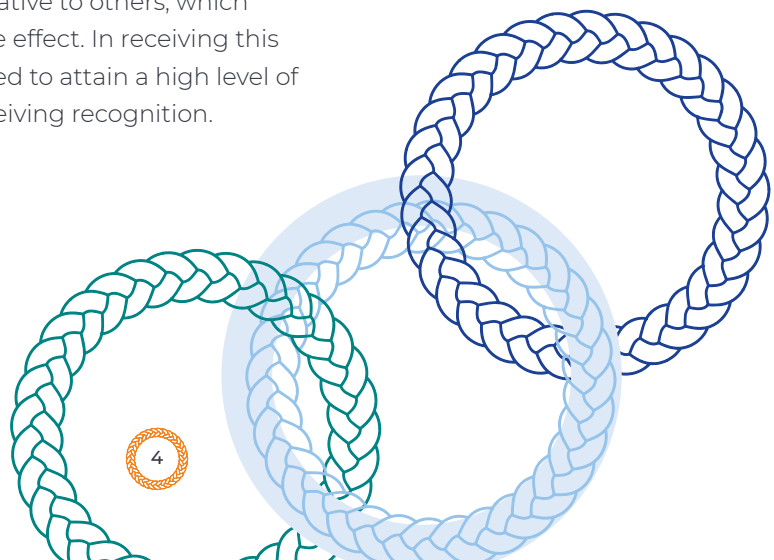
Recognition is generally defined as the assignment of personal non-monetary rewards for individual efforts and work accomplishment to recognise and reinforce the desired behaviours displayed by an employee (Brun & Dugas, 2008). Organisations can recognise outstanding employees through compliments, gratitude, private notes or emails, public awards, or publication of their achievements in company newsletters. Such recognition is sometimes symbolic and comes with no corresponding financial rewards (Wang, 2017).

Behavioural psychologists make an important distinction between 'recognition' and 'rewards'. Recognition is intangible, relational, unconditional and unexpected, whilst 'rewards' are tangible, transactional, conditional and expected. This REA focuses on both recognition and non-monetary rewards, because the difference between the two terms is not clear or often ignored in academia and practice.



## 2. What is the assumed logic model – how is it supposed to work?

Studies in the social sciences draw on social comparison theory to predict that employee recognition increases performance. Social comparison theory (Festinger, 1954) states that people tend to compare themselves with others in order to make judgements regarding their performance. They are concerned with not only their own performance, but also how they compare to their peers. The theory also notes that people engage in social comparison to enhance their own self-esteem. Comparing favourably to others increases self-esteem and produces positive affect, while comparing unfavourably lowers self-esteem and produces negative affect. In 2017, Wang noted that when people receive private or public recognition it provides a positive signal about their competence relative to others, which enhances self-esteem and induces a positive effect. In receiving this positive recognition, employees are motivated to attain a high level of performance to increase their chance of receiving recognition.



### 3. What is the overall effect of recognition and rewards on employees' performance?

Several findings were discovered in answering this question:

- » **There is strong evidence that employee recognition and non-financial rewards have a moderate to large effect on workplace performance.** Over the past 30 years several meta-analyses (Cameron, 2001) and high quality studies (Li, 2016; Wang, 2017) consistently showed moderate to large effect sizes, even when the recognition was merely a thank-you card (Bradler, 2016), or smiley button (Kosfeld, 2017). In addition, employees rewarded with verbal praise or positive feedback show substantially greater intrinsic motivation than financially rewarded or non-rewarded employees. And, they also show more interest and enjoyment than non-rewarded employees (Deci, 1999; Cameron, 2001; Kunz, 2012).
- » **Recognition and rewards can have a negative impact on performance when offered for simply doing a task.** Several controlled studies consistently revealed that employee recognition and non-financial rewards can have a negative impact on performance when offered to people without consideration of any standard of performance (Cameron, 1994 and 2001).
- » **Employee recognition contributes to employee retention, commitment and work engagement, but the effects are small.** Several cross-sectional studies found that employee recognition may contribute to retention. In controlling other factors (i.e. job stress) it was found that there is a small, but positive relationship between perceived recognition from management and employees' intention to stay (Abualrub, 2008; Austen, 2016).
- » **Employee recognition has a large positive impact on employee attendance.** A randomised controlled study demonstrated that an attendance-recognition program that included personal attention and recognition from senior managers substantially decreased absenteeism rates among employees (Markham, 2002).
- » **Employee recognition produces strong positive spill-over effects on other employees.** A recent randomised controlled study showed that a team member's recognition may produce strong positive spill-over effects on other team members' individual and group performance, particularly when the award recipient is located in a central position in a team (Le, 2016).
- » **There is some evidence that employee recognition can foster envy and resentment.** A cross-sectional study in the US found that in some situations, public recognition for a high performing member may foster envy and resentment among colleagues, which may create social discomfort (e.g. embarrassment) on the part of the award recipient and potentially may erode their intrinsic motivation (Henagan, 2010). The effect sizes, however, were small.

### 4. What is known about the (positive or negative) effect of possible moderators and/or mediators?

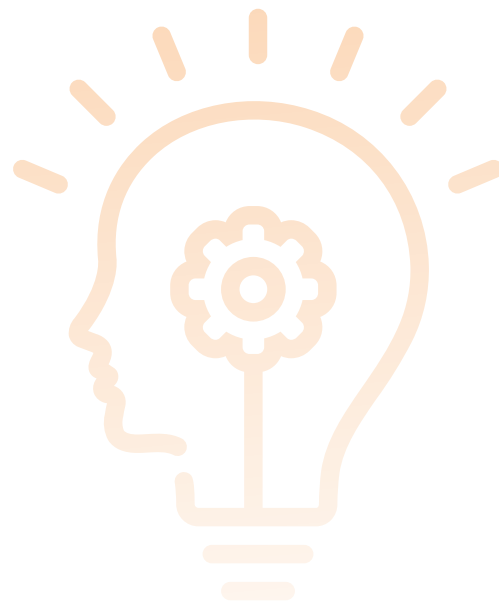
A randomised controlled study showed that recognition has a larger impact on employees when their perceived meaningfulness of work is low than when it is high (Kosfeld, 2017).

## Conclusion

Based on the evidence, employee recognition and other non-financial rewards tend to have large positive effects on work performance.

## More information

You can access more information in the *Rapid Evidence Assessment (REA) – The Effect of Employee Recognition and Non-financial Rewards on Workplace Performance* – a summary of research literature, August 2019 (Novartis).





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