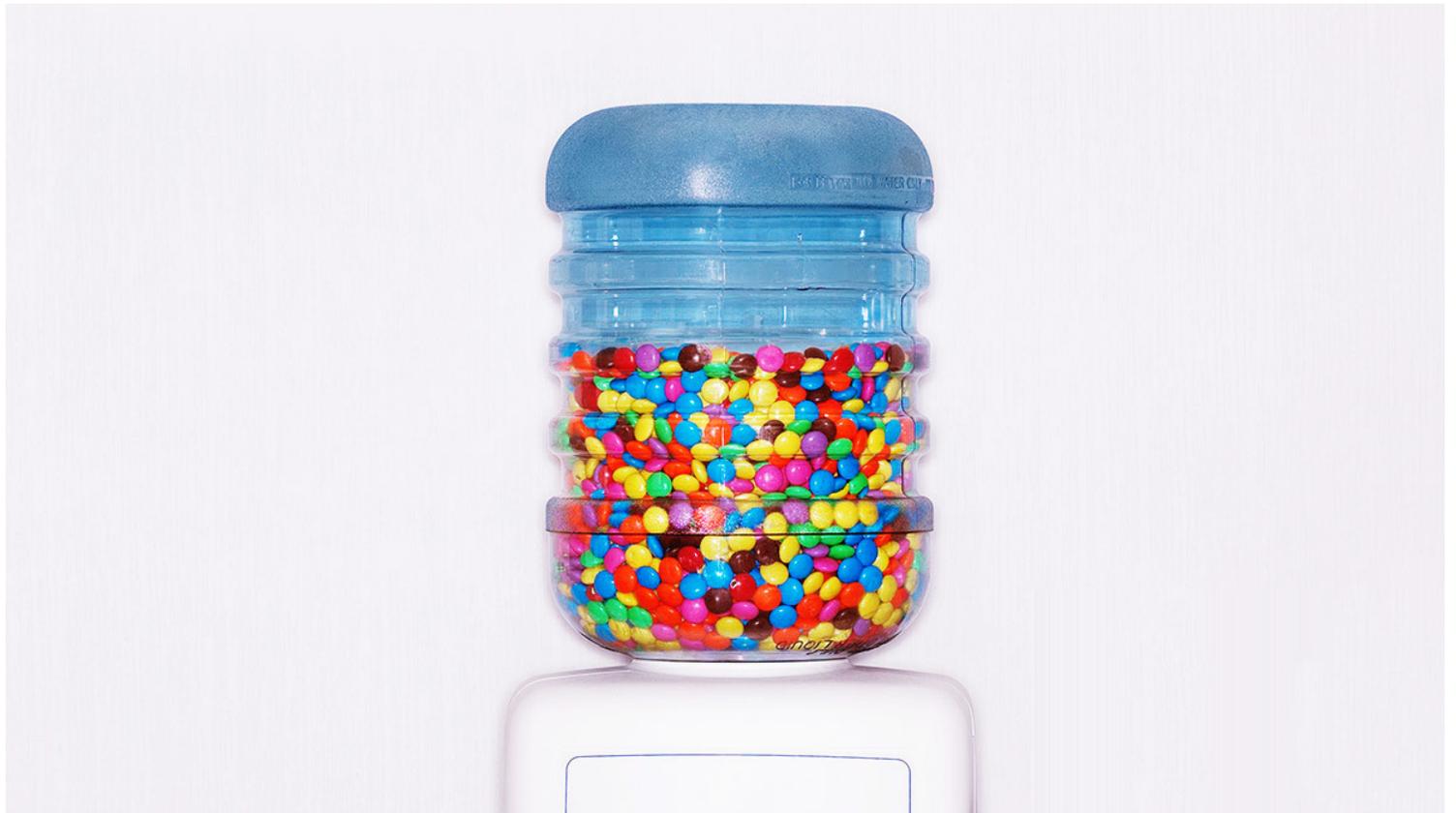


MOTIVATING PEOPLE

Teamwork Works Best When Top Performers Are Rewarded

by Bradley Kirkman, Ning Li, Xiaoming Zheng, Brad Harris, and Xin Liu

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Since the early 1990s, when teams became a corporate trend, a lot of work has turned into teamwork. Companies have assigned more and more responsibilities to teams, rather than individual employees or departments, and collaboration is seen as critical to getting good

work done. And yet most performance management systems still rely on a set of recognition and reward programs aimed primarily at motivating and guiding employees toward reaching their individual goals. This runs counter to one of the most fundamental premises in the psychology, management, and economics fields: people are more likely to do things for which they get recognized and rewarded. Rewarding employees based on individual performance while hoping for teamwork is a classic example of “rewarding A while hoping for B.” So why don’t more companies use team-based recognition and rewards?

The answer is simple: they tried them but very few actually worked. Twenty-five years ago, a lot of companies did experiment with systems that based a portion of employees’ take-home pay – or even their entire compensation – on team performance. Levi-Strauss, the jeans maker, tried this in its denim sewing plants in 1992. The company had been using a piece-rate pay system, in which employees were paid based on the number of pairs of jeans they sewed in a particular time period. Fearing that a piece-rate pay system would not promote teamwork (which was probably true, because if you’re helping out your fellow team members your paycheck takes a hit), Levi’s assembled its workers into teams ranging from 10 to 35 members, and used a team-based reward system that paid workers according how many pairs of jeans the entire team was able to produce in a given time period.

Was it the right move to match the way the work is completed (i.e., teams) with the reward system (i.e., team-based pay)? Hardly. Levi’s had to post sheriff’s deputies at the entrance to the plant in Tennessee to keep workers from harming one another. It turned out that basing the entire pay system on team performance created an environment in which slacking behavior became the norm for many team members. Some figured out that they could take it easy on the job and reduce their efforts while still pocketing a pretty good paycheck. And the employees who lost the most in take home pay and were mostly likely to quit were the high performers – just the set of employees Levi-Strauss could ill afford to lose.

Levi's experience illustrates a hard truth about using team-based recognition and reward programs, particularly in Western countries like the U.S., where employees prefer to be recognized and rewarded based on individual performance. In short, team-based recognition and pay just too often fall short of motivating actual teamwork. Given this painful realization, many companies have opted to stick to their individual recognition and performance pay systems exclusively. But this likely means they aren't getting the most they can out of their employees, as neither team-based nor individual-based systems seem to optimally incentivize high-performance teamwork. In fairness to companies and compensation consultants, academics have likewise struggled to crack the code of team- and individual-based recognition and reward systems. Even laboratory studies, free of the nuances of real organizational life, have found mixed results when looking for the best approach.

Given the overwhelmingly complexity of all this, we wanted to find out if a seemingly minor and extremely cost-effective technique could push organizations toward the best of both worlds. Specifically, we wondered whether formally recognizing a single team member would help or hurt the other teammates' (and the overall team's) performance. Although intuition might suggest that rewarding a single team member would promote harmful competition within the team, we theorized that the fact that recognition does not typically involve significant material rewards might promote more benevolent – and outright beneficial – reactions from teammates.

In an article we recently published, in the *Journal of Applied Psychology*, we describe how we set up a series of experiments, two in the lab and one in the field, to examine this question. In the two laboratory studies, we used an origami-making task with undergraduates enrolled in a psychology course at a large university in Northern China. In the first round of the experiment, we had individual students make as many origami cubes

as they could in a 20-minute period. Then we put students into teams of four people, and we had them construct the tallest freestanding structure possible using the origami cubes they had just made.

In half of the teams an experimenter publicly acknowledged and applauded the top performer in each team in front of his or her peers. In the other half no recognition was given. In the second round of the experiment we ran the same exercise as the first round using an individual and then a team activity, and then we measured individual team member and overall team performance. For the teams in which one member was recognized, fellow team members had higher individual performance, and their team performance increased as well. In the control condition no such improvements occurred. Perhaps not as surprisingly, we found that the performance of the team member who was recognized also improved after the recognition.

To make sure our findings were applicable in the real world, we conducted a field experiment at a company in Northern China that designs and manufactures electric transmission and distribution equipment. The company had been using “employee of the month” awards since May 2012 for a subset of teams. We found that in teams using such awards, after the award was announced both individual and team performance increased. In teams not using employee-of-the-month awards, we found no such increases. We also found that the effects of these awards on individual (but not team) performance were stronger when the team member receiving the award was more important to the team, that is, someone to whom other team members turned to or relied on to get their work done.

Our findings in all of these studies support the notion that it is possible to recognize top performers and boost team performance at the same time. In fact, these recognition programs pack a kind of “one-two punch” because they increase the performance of individual team members (not only the one who has been recognized) as well as overall

team performance. We call these beneficial results *recognition spillover effects* because recognizing a single team member seems to have a positive and contagious effect on all the other members in the team. This counters the conventional wisdom that leaders should avoid singling out and recognizing individual team members because such practices could breed competition or resentment among team members. (That might be more likely if the recognition in question was financial in nature.)

So what are some best practices for implementing these recognition systems? For one, team leaders do not have to wait for the first of the month to recognize exemplary performance. More frequent recognition is likely to have more continuous, contagious, positive effects. Secondly, we advise managers to be mindful of the potentially negative consequences of recognition programs, as we unexpectedly found that employees in teams in the manufacturing company without a formally recognized member demonstrated performance *decreases* in our field study. Thus even though individual recognition can help promote positive reactions within the same team, it might actually incite more negative reactions in other teams. So if company management is going to implement such a recognition system, it's best to roll it out to all teams at once. If you recognize one high-performer in each team, you will avoid those negative consequences.

Finally, we encourage team leaders to make sure they use fair decision-making criteria when they are deciding on who should receive recognition. Team members need to trust that you are recognizing team members who make valuable contributions. Distributing formal recognition based on arbitrary factors, or simply rewarding “teacher’s pets,” may compromise the positive (and exacerbate the negative) changes found in our research.

The bottom line is, get out there and recognize the top performers on all your teams – everyone will benefit.

Bradley Kirkman is the General (Ret.) H. Hugh Shelton Distinguished Professor of Leadership and Department Head in the Poole College of Management at North Carolina State University.

Ning Li is an Assistant Professor in the Tippie College of Business at the University of Iowa.

Xiaoming Zheng is an Associate Professor in the School of Economics and Management at Tsinghua University in Beijing, China.

Brad Harris is an Assistant Professor in the Neeley School of Business at Texas Christian University.

Xin Liu is a Ph.D. student in the School of Economics and Management at Tsinghua University in Beijing, China.

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