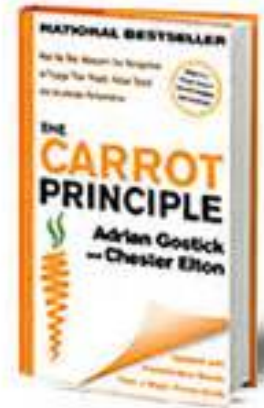


The Carrot Principle

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

By Adrian Gostick and Chester Elton

“Our research leaves no doubt that Recognition is the missing ingredient in successful leadership of groups with higher trust, teamwork, productivity and overall success. The Carrot Principle, when applied correctly, works every time.”



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THE SUMMARY IN BRIEF

“The Carrot Principle” Book by Adrian Gostick and Chester Elton presents the results of a study on workplace productivity which involved looking at 200,000 managers and employees over a 10-year period. This study has shown that there are tangible and quantifiable financial benefits derived from giving people recognition for their achievements separate from what they are paid. Developing a “Carrot Culture” of recognition seems to act like an “Accelerant”, taking a team from where it is now to where it can be in the future in terms of performance. In their book, the authors explain that in order to build your own high performance team, organizations should learn how to thank the people you work with more

“Great managers lead with carrots incentives and not sticks, and in doing so achieve higher productivity, engagement, retention and customer satisfaction.”



“Recognizing and developing the potential of individuals is the real path of leadership.”

Recognition as an Accelerant of Business Performance

Before recognition can effectively act as an accelerant of business performance, a foundation needs to be in place. In practical terms, managers need to be strong in the “**Basic Four**” areas of leadership:

1. Goal setting
2. Communication
3. Trust
4. Accountability

Great Management develops whenever “Recognition” is added to the “Basic Four” characteristics of leadership.

1. Goal Setting:

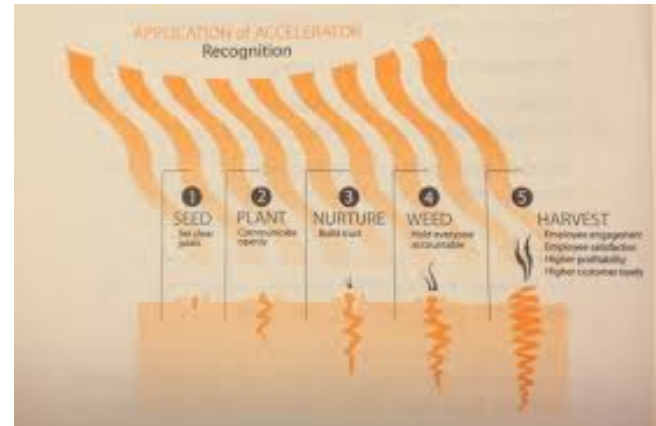
Effective leaders give their workers clear and unambiguous direction. Great leaders infuse their employee’s work with a clear and vivid sense of purpose. Being able to set and then follow through on goals is a basic and valuable management skill. People like clearly communicated goals because they create a sense of purpose.

2. Communication:

Effective leaders communicate openly and constantly with their subordinates. By doing so, they make workplace more inclusive. Initiating communications within an organization creates an opportunity for employees to make their own contributions.

3. Trust:

Great leaders trust their people to do the right things, and this is habitually reciprocated by the way everyone responds. A suitable approach for leaders to start building trust is by increasing their visibility.



The Carrot Principle:
“When Recognition is applied to the Basic Four of good management, it serves as an accelerator of employee performance and engagement”

“As excellence is constantly redefined in virtually every industry, goal setting is absolutely critical to staying ahead of the competition.”

“In an Organization where leaders are trusted, there is a great level of employee investment. When an employee believes a manager has his best interest at heart, it motivates him to give his best to the work, which creates higher level of commitment and that equals improved profitability.”

A leader who trust his/her people:

- *Will be willing to publicly own up to any mistakes he or she makes.*
- *Will be able to take the ethical high road whenever gray areas arise.*
- *Will refuse to take part in anything, which may be viewed as a deception in any way, shape or form.*
- *Will actively contribute to the organization’s positive reputation.*

“It’s a simple concept: We all work harder for people we like and respect., and we like and respect people who show a certain regard for us.”

4. Accountability:

Accountability means people are recognized whenever they do something right, or equally when do something quite wrong. Great leaders generate accountability within their organizations by regularly measuring what is happening and then fixing any problems, which are uncovered in a timely and reasonable fashion.

Whenever “Recognition” is added to these “Basic Four” areas of leadership, their effectiveness and impact is amplified and enhanced.

“Recognition accelerates what each of these basic four leadership traits can achieve.”

Goal setting + Recognition → Enhanced Effect

- *People will feel more competent*
- *Increased energy and commitment will be brought to bear*
- *Everyone will get behind the program*
- *You’ll send the right messages about what’s important and what’s not*

Communication + Recognition → Enhanced Effect

- *People will actually start changing their day-to-day behavior*
- *Everyone will take more pride in their work*
- *People will start taking on more difficult assignments*
- *Team spirit will blossom*

Trust + Recognition → Enhanced Effect

- *Everyone will realize they can trust you to share the credit when good things happen*
- *People will take note of the fact you don’t hog the limelight –which means they will trust you to be a good team player worth working with in the future*
- *Different team members will bond with you*

“Communication combined with recognition of strategically important behaviors takes your visions and values off the wall and put them in the hearts and minds of your people, which is exactly the place where you want your vision and values to be.”

Accountability + Recognition → Enhanced Effect

- *It validates the progress which has been made thus far on a project*
- *Engagement is enhanced*
- *The inherent sense of achievement involved in getting things done is amplified*

“Employees who are appreciated are less likely to keep asking for more money. Who always wants more? The whiners. When recognition is provided regularly, people will stick around for seconds and thirds, all the while turning out increasingly better results.”

“Everyday more organizations are realizing their success is built manager by manager, by leaders who have the tools and knowledge to motivate and engage their workforces.”

Expectors and Altruists:

With all these benefits of **recognition**, it is reasonable to wonder how many managers actually use recognition to its fullest potential. According to a recent Gallup Poll, around 65% of American employees stated they had received no praise or recognition for their work achievements in the past year.

Of that 35% of managers who use recognition, there are actually two different categories of managers:

1. **Expectors** -- those who hand out recognition awards in the expectation the recipients will do something in return. Expectator managers link recognition efforts with performance demands.
2. **Altruists** -- managers who use recognition mainly because they care about their employees as individuals and want them to achieve everything they are capable of doing.



Under the Expectator manager's recognition approach, the relationship between the employee and the employer is transactional and measured. With the Altruist manager's recognition mind-set, leaders are using recognition to help each employee's desire for self-realization.

Notwithstanding an employee, an Expectator or an Altruist, the simple fact is when "Recognition" is applied to the "Basic Four" of leadership. It acts as a performance accelerant.

"Recognition is one of the key characteristics of effective managers and great organizations. And in the workplace, there is no accelerant with more impact than purpose-based recognition. The numbers prove it."

"It is statistically impossible to become a trusted, communicating, team-building and goal-setting manager unless you are effectively using praise and recognition."

Recognition and Operating Margins (income to sales)

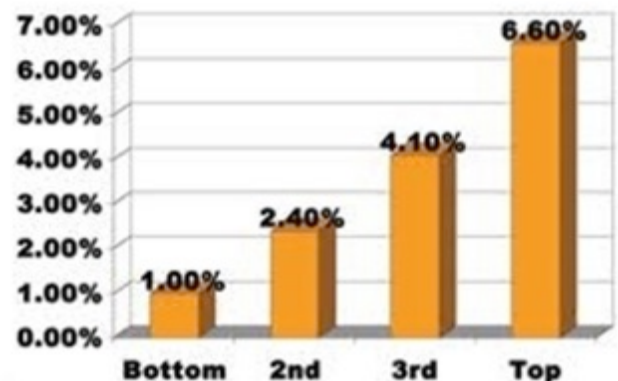


Figure 6

The Basic Building Blocks of a “Carrot Culture”

A “Carrot Culture” is a rare workplace environment where employees are valued and openly appreciated for their contributions. There are four types of “Recognition” which make up the backbone of a healthy and vibrant Carrot Culture:

1. *Day-to-day Recognition*
2. *Above-and-beyond Recognition*
3. *Career Recognition*
4. *Celebration Events*

Before you begin to create your own “Carrot Culture”, there are three pillars which you need to ensure are in place first:

- *Pillar 1: Relevance*
- *Pillar 2: Satisfaction*
- *Pillar 3: Engagement*

“What you need most of all is people who are both satisfied and engaged, and who have relevant managers.”

Pillar #1 Relevance:

Your employees must view you as being relevant – as being someone who can have an impact on their careers. Great managers understand what motivates each of their employees and accordingly choose relevant rewards.

Pillar #2 Satisfaction:

You won’t be able to succeed in building a carrot culture unless your employees are satisfied with their benefits and the general atmosphere of the workplace. If any of these elements are missing, take the time and effort to get them sorted out first.

Pillar #3 Engagement:

Engaged employees are willing to do whatever is needed for the company to excel. They are committed and enthusiastic. The only problem is these people will usually be sought after by other companies who will be making them better offers. The key to retaining their services lies in the above two pillars, relevance and satisfaction.

Once all three pillars are in place, you can then create a supercharged “Carrot Culture” to generate outstanding results.

The four basic components you will need to build your own personalized “Carrot Culture” are:

1- Day-to-day Recognition:

This is the type of recognition, which is given during the course of an average day. It might include simple handwritten notes, vouchers, pats on the back or other low-cost awards made to praise or express gratitude for work well done.

To make your day-to-day recognition really vital:

- ***Make it frequent*** – at least once a week if you want your people to remain fully engaged and enthusiastic.
- ***Be specific about your praising*** – because generic praise conveys a lack of sincerity. You also need to single out people for their unique contribution and give them a pat on the back.
- ***Make your praise timely*** – ideally within a day or two. If you want to reinforce the right behavior, give praise quickly. Celebrate group success but supplement that with well thought out individual praise to enhance the effectiveness of your praise.

2- Above-and-beyond Recognition:

This type of recognition is an acknowledgment of significant achievements. These awards are a structured way to highlight achievements, which support company's values and business goals – such as the successful implementation of an innovation or even someone who has gone the extra mile to provide exceptional customer service.

To use above-and-beyond awards effectively, you need to focus on three areas:

- **Value** – Above-and-beyond awards need to be used selectively to mark truly exceptional performance.
- **Impact** – The perceived value of the award needs to match the impact of the achievement for motivation to be generated.
- **Personal** – You want to create an award experience meaningful for a specific person. You might need to let that employee choose an award that suits his/her needs and preferences.

3- Career Recognition:

At one time, retirement awards were the only career recognition awards most organizations gave. Today, however, more than 90% of all midsize and large organizations in North America have awards, which recognize career length-of-service rather than solely retirement.

Length-of-service recognition is a basic building block for a carrot culture because:

- Everyone can qualify
- These awards build trust and open up lines of communications inside the organization.
- These awards validate employee efforts and commitment.
- Length-of-service awards appeal to the basic human needs to be appreciated and valued.

“You should also make a very big deal out of retirements. After all, you want your retired employees to continue to serve as ambassadors for your company in the future. Give deliberate thought to retirement gifts. They are an excellent investment in encouraging others to stay with you throughout their careers.”

In presenting an award, tell a specific, informed story about the accomplishment. An easy way to do this is to talk about:

- **Situation:** *The problem or opportunity*
- **Action:** *What was done*
- **Impact:** *The result of the action*
- **Link to company values:** *How the action contributed to the company*

“Recognition accelerates business results. It amplifies the effect of every action and quickens every process. It also heightens your ability to see employee achievement, sharpens your communication skills, boosts trust between you and your employees, and improves accountability.

“OUR RESEARCH LEAVES NO DOUBT THAT RECOGNITION IS THE MISSING INGREDIENT IN SUCCESSFUL LEADERSHIP OF GROUPS WITH HIGHER TRUST, TEAMWORK, PRODUCTIVITY, AND OVERALL SUCCESS, THE CARROT PRINCIPLE, WHEN APPLIED CORRECTLY, WORKS EVERY TIME.”

4- Celebration Events:

Celebration events are get-together where you mark the achievement of important milestones. These can be effective tools in enhancing employee commitment and loyalty.

“When you do something people genuinely enjoy as part of a celebration event, you're really building morale and commitment. Event recognition is a critical piece in the big picture of effective recognition.”

Managing By Carrots: You Can Get There from Here

As you work to build a “Carrot Culture”, there are usually three challenging questions:

1. *What level of carrots do you need?*
2. *How much should you spend?*
3. *What kind of carrots is useful?*

1. What level of Carrots do you need?

This question is deciding whether an employee’s achievement is worthy a substantial reward or a thank-you note.

- **Thank you awards** – suitable for daily recognition and ongoing achievements where employees meet their performance targets.
- **Bronze awards** – tangible items in the \$50 to \$200 price range which are given to recognize one-time above-and-beyond behavior
- **Silver awards** – merchandise in the \$100to \$500 price range which can be given to reward ongoing above-and-beyond behavior
- **Gold awards** – recognizes tangible and ongoing results. These awards start about \$500 and above

2. How much should you spend?

Most organizations with a carrot culture tend to budget 2-percent of payroll (roughly \$1,000 per employee per year) for day-to-day recognition, team event gifts, and above-and-beyond awards.

- **Day-to-day awards** – between \$100 and \$200 annually
- **Above-and-beyond awards** – between \$250 and \$500 annually
- **Event or team recognition** – approx. \$100 annually

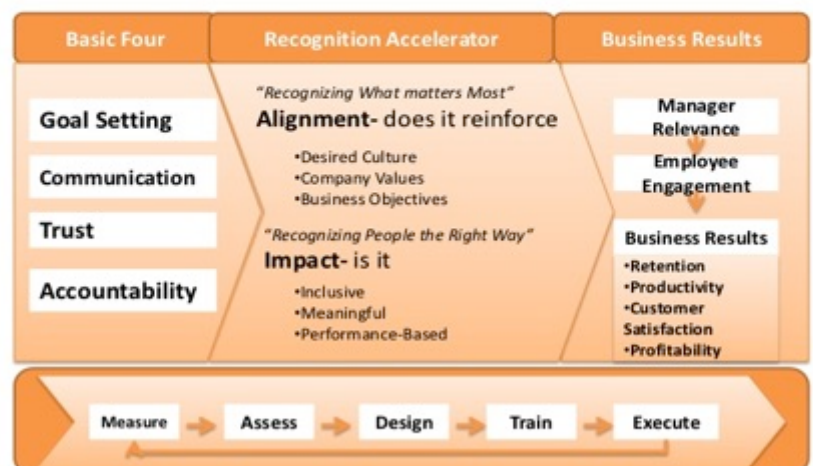
3. What kind of carrots are useful?

Many creative ideas could be used to recognize achievement. The key is to come up with ideas that motivational to your specific group of people.

Here are few ideas to boost your creativity:

- *Have a small team celebration to welcome a new team member and get everyone to stop by and introduce themselves.*
- *Invite an employee to take his or her spouse on a business trip at the company’s expenses as a thank-you for all the hard work.*
- Give an employee a gift card they can use to buy whatever they want to personalize their office.
- Put a white board that tracks the daily result and end the day with a celebratory dinner if you hit your target.
- Hire a maid service or a personal chef for an outstanding employee’s family.
- PRESENT “long lunch” certificates which allow people to have a two-hour- break.

Recognition Effectiveness Model



Critical Review

I strongly recommend this book for anyone and particularly managers who wants to learn about the transformative power of purpose-based recognition in engaging employees, boosting retention, and accelerating performance. Adrian Gostick and Chester Elton provided innovative and thought provoking ideas about how creative affirmation is the best way to honor employees both from a personal perspective and a business one. Supported by two extensive research studies, the book eloquently presents a simple tangible prescription to becoming a Carrot Principle manager and building a Carrot Culture” in the workplace.

Amongst the problems I have observed in the book is that some of the ideas offered by the authors may not be applicable in all vocational workplaces. For instance, Non-Profit Organizations cannot use their funding for employees’ incentives or rewards. I also must admit that I haven’t enjoyed reading all chapters, mostly the ones with extensive data analysis and statistical surveys. Overall, the “Carrot Principle” is indeed simple concept: We all work harder for people we like and respect; and we like and respect people who show a certain regard for us.”

"When I make a mistake I'm recognized 100 percent of the time; when I do something great, I'm not recognized 99 percent of the time."

If this quote describes the culture where you work, then I genuinely advise you read this book. It will definitely show how “Recognition” is the missing ingredient in successful leadership of groups with higher trust, teamwork, productivity, and overall success.

Create a positive impact in your culture or workplace today.... Say **“Thank You.”**

About the Author/s:

Adrian Gostick is the author of several bestselling books on corporate culture, including the *New York Times*, *USA Today*, and *Wall Street Journal* bestseller *The Carrot Principle*. He also wrote the bestsellers *The Levity Effect*, *The Integrity Advantage*, and *The 24-Carrot Manager*. His research on employee engagement has been called a “must-read” for modern-day managers by Larry King of CNN, “fascinating,” by *Fortune* magazine, and “admirable and startling” by *The Wall Street Journal*.

Chester Elton called the “apostle of appreciation,” by *The Globe and Mail*, Canada’s largest newspaper, and “creative and refreshing” by *The New York Times*. He is the author of several bestselling leadership books. *The Carrot Principle* has been a the *New York Times*, *USA Today*, and *Wall Street Journal* bestseller, and *The 24-Carrot Manager* has been called a “must-read” for modern-day managers by Larry King of CNN. In 2006, *The Invisible Employee* also appeared on the *New York Times* bestseller list. He was the highest rated speaker at the national Society for Human Resource Management annual conference.