

Praise for Peers

Recognition Programs Help Companies Retain Workers as Pay Raises Get Smaller

Wall Street Journal, by Erin White

More U.S. employers are encouraging co-workers to pat each other on the back. Companies ranging from Boeing Co. to Taco Bell have created systems for colleagues to applaud each other. Under these “peer-recognition” programs, employees typically thank co-workers for a job well done by giving them a card or sending an email. Recipients may become eligible for a small prize, like a DVD player or bicycle, or a more personal gift like an hour of baby-sitting.



Done well, consultants say, the programs are an inexpensive way to motivate and retain workers at a time when employers are handing out smaller pay raises. U.S. salaries for non-executive white-collar workers have risen an average of 3.5% annually since 2002, down from an average of 4.1% a year from 1995 to 2001, according to human-resources-consulting firm Hewitt Associates. Next year, Hewitt projects 3.6% raises.

Peer recognition isn't a new idea, but the programs became more popular during the economic downturn a few years ago. Today, the lean-time tactic is flourishing. About 35% of major companies have some sort of peer-recognition program, up from about 25% five years ago, estimates Stephanie Penner, a principal at Mercer Human Resource Consulting.

Advocates say peer praise offers a quick shot of self-esteem, and resonates with larger changes affecting the work force. Many younger workers prefer less-hierarchical cultures, and peer programs give front-line workers a say in who gets rewarded. What's more, organizations have cut layers of management in recent years, so peer recognition better parallels the way many companies are structured.

Employers say the programs build morale and help reduce employee turnover. Yum Brands Inc., the Louisville, Ky., parent of chains including Taco Bell, Pizza Hut and KFC, credits peer recognition with helping to lower turnover, which measured 181% among its hourly restaurant workers in 1997, when the company was spun off from PepsiCo Inc.

After the spinoff, Yum searched its operations around the globe for retention tactics. It noticed a successful customer-service program involving peer recognition at KFC restaurants in Australia. There, workers spontaneously rewarded colleagues with “Champs” cards, an acronym for attributes such as cleanliness, hospitality and accuracy. Yum spread the program to its other chains around the world. Recipients are entered in periodic drawings for small prizes, such as movie tickets, car washes or free baby-sitting. Today, Yum credits peer recognition with helping to reduce hourly turnover in its restaurants to 109% through the third quarter of this year.

Software maker Symantec Corp. says peer-recognition programs help build relationships among staffers, both within and between departments. Recipients are grateful for the praise and remember it in the future, says Rebecca Ranninger, senior vice president of human resources at the Cupertino, Calif., company. “Suddenly, that link is created,” she says.

Within Ms. Ranninger's department, for instance, employees may give each other "Serendipity" awards. The plaudit doesn't require manager approval and doesn't automatically confer any gift. At the end of the quarter, Ms. Ranninger randomly selects a few names among the recipients for prizes worth \$40 to \$50, such as a gift certificate for Amazon.com or a local restaurant, paid out of Ms. Ranninger's budget. In the most recent quarter, about 100 of Ms. Ranninger's 280 staffers were eligible for the drawing.

Part of its popularity stems from how well she publicizes the program: Four times a year, she holds a department-wide phone conference and names every recipient, along with the prize winners. These days, Symantec is encouraging employees to use peer-recognition awards to smooth the integration of Veritas Software Corp., which Symantec acquired this year. "It costs very little in monetary terms, but people value it very highly, because it's a peer saying, 'Hey, you did a great job here,'" Ms. Ranninger says.

Consultants say the programs work best when they involve little bureaucracy. Otherwise, employees won't participate. But the programs require some oversight. Those with material prizes typically require a manager's approval, so that employees don't scratch each others' backs toward a round of free bicycles.

Boeing is trying to increase participation in its peer-recognition program by simplifying the process and publicizing it better. Currently, employees who want to recognize a co-worker have to route their request through an administrator; the process can take as long as 28 days. Starting in January, however, employees will be able to complete an online form and immediately give the certificate directly to the recipient. The new program will automatically send emails to the giver's and the recipient's managers. The company plans to publicize the program by sending fliers to employees' homes and probably through a monthly email reminder, among other things.

Jacqueline Coulter, a human-resources manager at the Chicago-based aircraft maker, says the company is seeking a balance between streamlining the program and protecting against employee back-scratching. She'd like to boost participation because peer praise is a good, low-cost reward. Workers may receive something as simple as an electronic card, or points that can be redeemed for merchandise such as flashlights or bicycles.

Chris Ryckman, a project manager in Boeing's integrated-defense-systems unit who has gotten several peer-recognition awards, says the praise is rewarding. Most recently, a colleague with whom he had jointly managed a project gave Mr. Ryckman a thank-you note and a gift certificate, which he redeemed for tickets to a "Wallace & Gromit" movie. "It's a pick-me-up," he says. "It felt good that someone felt I had done a good quality job on something."
