

The Carrot Principle: Engage, Retain and Drive Employees - By Chester Elton, co-author of The Carrot Principle
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Here's a scary statistic for HR managers: According to a recent CNN Money poll, 65 percent of North American workers are 'looking around' at other jobs. Why? According to that same poll, it's because they're not getting enough appreciation or recognition in their current jobs.

At a time when hospitality companies are competing fiercely for top talent, it seems that saying 'thank you' is more important than paying more money-and a pat on the back is free.

It's no surprise that using more 'carrots' and fewer 'sticks' will give you happier employees. But you'll also get happier customers and better business results-and 'thank you' is the accelerator. In a 10-year study of 200,000 managers and employees, we found that companies with a culture of thanking employees for excellent performance had a significant business advantage over other companies. In fact, their annual return on equity averaged 8.7 percent, more than triple the 2.4 percent earned by companies with no such 'carrot culture.'

These business results are not just the consequence of reduced turnover, although that is an important benefit. But most companies don't recognize the cost of disengagement-you're employees may show up for work, but will they go the extra mile for you? If they're not really engaged, the incremental cost can run into the billions per year.

So...if the use of carrots is this important, why isn't it common practice among managers? According to the ones we talked to, there are several reasons for 'vegephobia':

'I don't want to get too familiar.'

'I don't want to play favorites.'

'I want to be seen as 'tough,' and recognition makes me look 'soft.'

'I don't have time.'

But the biggest reason managers don't give carrots is that they don't know how. We grow up getting pats on the back from our parents, but when we go into business we forget those things. We coach managers on achieving their 'numbers' and avoiding sexual harassment, but we don't coach them on how to get employees engaged properly-we don't coach them to say 'thank you.'

In truth, creating a carrot culture is simple: Just make sure your thanks are frequent, specific and timely.

Frequent: It's important to recognize often. Sometimes managers hold back, thinking that they'll wait for the performance appraisal or year-end party. But the employees we talked to said that encouragement along the way was a lot more important. In fact, the possibility of recognition made them excited about going to work every day.

Specific: Some managers think that being a good motivator means offering a general 'Hey, great job,' or 'Thanks for making me look good.' But general praise has little impact on people. Instead, try 'I appreciate the way you handled that customer, that's what we mean by customer service.'

Timely: Do it right away. If you wait a week-or even until the end of the shift-the impact is much diminished. When you are timely you communicate value - we do things that are important right away. Remember, when the praise follows the behavior, the behavior is more likely to be repeated.

Despite all of our statistics and research, a lot of people will still argue that 'cash is king.' Recognition is nice, but at the end of the day, what people really want is money. And it's true: Compensation and benefits have to be fair and on par with your competitors. But if your people are showing up for work today, the money is probably good enough. If you want them to be engaged, you have to do more. That's where the carrot principle comes in.

Good luck-and thank you for reading!

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