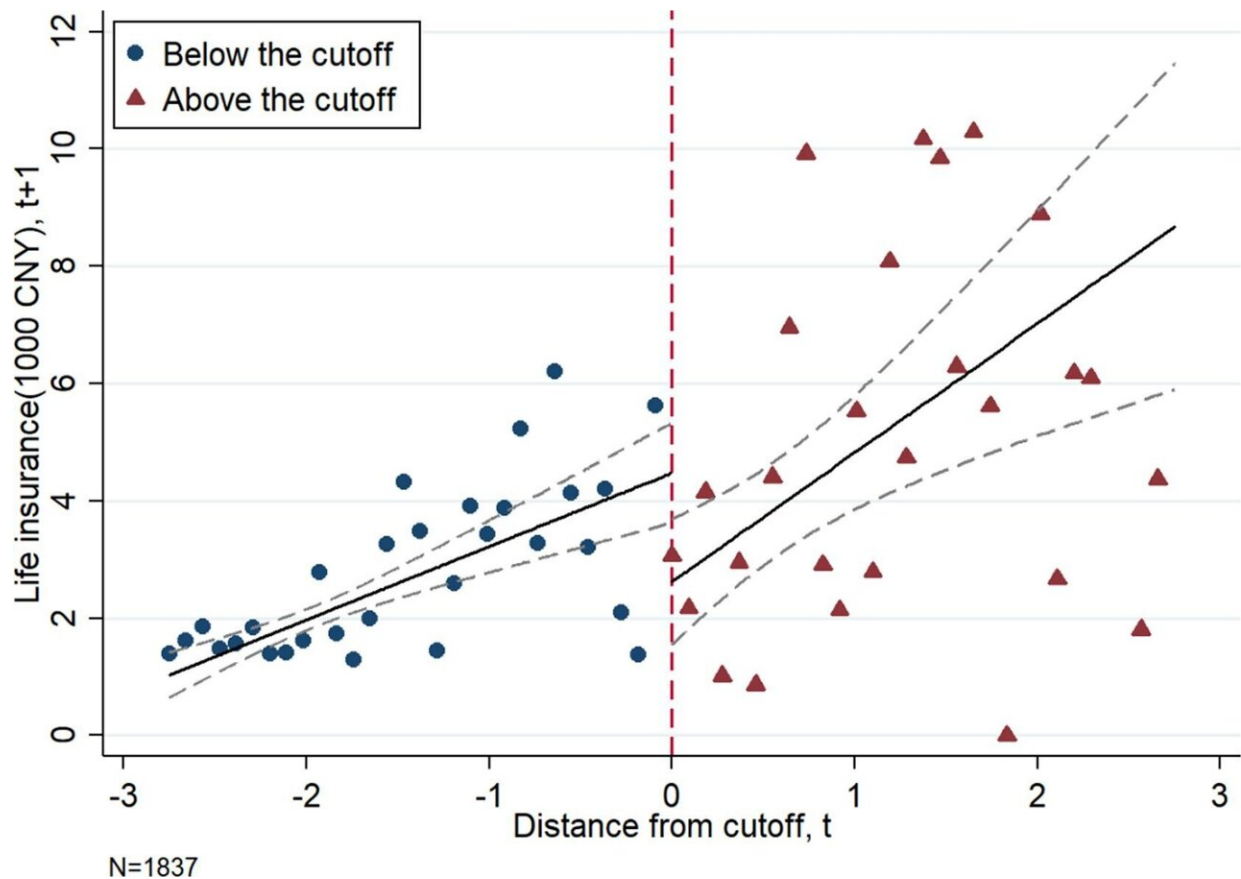


# When winners are losers: Why symbolic rewards may backfire

May 11 2023, by Geoff McMaster



Study 1 Main Result—Effect of Award on Life Insurance Commission in Quarter  $t + 1$ . Notes: Each observation is rookies' average life insurance commission in the quarter after an award designation (quarter  $t + 1$ ) in a 0.09 bin based on their standardized first quarter life insurance commission. Dashed vertical line denotes the 10th standardized first quarter life insurance commission in quarter  $t$  (normalized to 0). The solid lines are estimated using a linear regression and triangular weights based on individual-level data. The

dashed lines denote the 95% confidence interval based on the heteroscedasticity-consistent standard errors. Credit: *Organizational Behavior and Human Decision Processes* (2022). DOI: 10.1016/j.obhdp.2022.104184

Far from keeping up the good work, recipients of internal symbolic awards such as employee of the month or merit certificates perform worse after receiving the accolades, according to a recent international study published in *Organizational Behavior and Human Decision Processes*.

It's not always that awardees lose the drive to perform after proving their worth, says co-author Runjing Lu, a finance professor in the Alberta School of Business. In many cases, co-workers will subsequently undermine the winners' success.

"There have been a handful of papers published on the negative effects of symbolic awards, but they all focus on how the awards affect the participants' own behavior and motivation," notes Lu.

"We found it's not just the awardees themselves who are affected; there could also be a kind of social sabotage going on."

Lu defines a symbolic award as "a special type of non-monetary incentive whose value resides primarily in the public recognition of recipients."

Monetary rewards have long been regarded as problematic, she says, because they can provoke jealousy, resentment and other "corrosive" effects among employees. Symbolic awards had been considered a promising alternative.

But the findings by Lu and co-author Teng Li of Sun Yat-sen University point to a darker side of human nature. Especially in competitive workplaces with [limited resources](#), internal symbolic award winners tend to become targets of subversion, she says.

In surveys of symbolic award recipients in this study, many said social undermining tends to be more passive; co-workers simply withdraw offers of help. But in some cases co-workers will go further, even poaching customers from award recipients involved in sales.

## **The downside of singling out top performers**

Previous research has shown that symbolic awards hamper performance mainly because recipients feel they've reached the required bar and no longer need to expend the same effort, says Lu.

One study, for example, revealed that students recognized for perfect attendance were subsequently absent more often from school. Another showed that winners of the Fields Medal—one of the world's highest honors for mathematicians—published fewer [academic papers](#) after receiving the prize. And firms whose CEOs received awards had worse stock and operating performance in their wake.

What the new study reveals, however, are the interpersonal factors that can aggravate a decline in performance.

"It's not that symbolic awards are always bad," says Lu. "They can work well in situations where the competition is not that intense—where your success doesn't depend on my failure.

"But in organizations where resources are limited, singling you out as a top performer signals to co-workers to compete for your resources. They have strong incentives to push you down."

## Culture matters

Cultural context also matters, she says. The study examined a large branch of a leading insurance firm in China and found that social undermining of award recipients was more pronounced than typically documented in the West, potentially due to an emphasis on group harmony as opposed to individual achievement in Asian culture.

"Participants from Asian collectivist cultures exhibited a higher preference for high achievers to fail than those from individualistic cultures," says Lu. "In a collective culture, you don't want to stand out."

Her advice for companies that want to recognize individual achievement?

"Think first—is it a competitive or non-competitive environment? In competitive environments, you might not want to single out a person too much, because you're basically setting up a target for others to attack."

Lu adds that company managers could also monitor co-workers' behavior and punish those who engage in sabotage—a less-than-ideal approach that can produce its own backlash, she admits.

Another solution is to simply increase the base-level salary for everyone on a given team, Lu suggests.

"Then if somebody gets an [award](#), you're already well rewarded. You don't have the same incentive to sabotage others."

**More information:** Teng Li et al, Social undermining as a dark side of symbolic awards: Evidence from a regression discontinuity design, *Organizational Behavior and Human Decision Processes* (2022). [DOI: 10.1016/j.obhdp.2022.104184](https://doi.org/10.1016/j.obhdp.2022.104184)

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