

Rewards and Recognition in Knowledge Management

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Editor's note: This article is based on a recent teleconference hosted by the American Productivity & Quality Center (APQC) with representatives from 20 member companies of APQC's International Benchmarking Clearinghouse, including: ChevronTexaco, Halliburton, Hewlett-Packard, Intel Corporation, John Deere, Lockheed Martin, Microsoft, NASA, Nortel Networks, Shell Chemicals, and Sprint.

Implementing a knowledge management (KM) initiative, as with any significant change, presents motivational and change management opportunities. Therefore, when launching or assessing the health of a KM initiative, it is critical to identify what is needed to achieve successful outcomes. This may be to change behavior, increase people's motivation, redirect attention, or build social cohesion and allegiance. In other instances the organization may want to foster a sense of engagement and commitment or influence employees' attitudes and feelings.

One way to foster acceptance of KM initiatives, is to examine the rewards and recognition structure to ensure that knowledge-sharing principals and behaviors are aligned. "Let's assume that you're paying people a fair market wage and your performance appraisal system is rewarding," said APQC President Carla O'Dell. "Then, when we ask them to engage in this change activity, what role would additional rewards and recognition play?"

Along with APQC KM specialists and managers from numerous organizations, O'Dell recently discussed what rewards and recognition entail, how incentives affect behavior, and how best-practice organizations have solicited contribution to and participation in KM initiatives.

Definition

Liz Ostendorf, an APQC KM specialist, provided explicit definitions of rewards and recognition. "These are terms that are tossed around a lot, and we need to be clear on what we're talking about and that we're talking about this from the KM perspective. Knowledge management requires a unique view of rewards and recognition."

Recognition is visible, public reinforcement to individuals and teams for contributions and role modeling of behavior, such as a formal thank-you. This may be at the individual, community, group, department, business, or enterprise level. "We're not limiting recognition in this case to specific individuals," said Ostendorf. "This can be at any level within your organization. And the other component is that recognition may or may not be accompanied by a reward."

Rewards--such as money, promotions, and substantial gifts--are more tangible. At a small monetary level, rewards can recognize desired behaviors. Ostendorf said, "Recognition is more than likely going to be public. Rewards don't have to be."

Members of APQC's KM community reflected on why reward and recognition issues are arising in their own organizations. "I think recognition is our target for those that are in knowledge management and change management," said Louis Janke of Lockheed Martin. "But change management is hard work, and it goes beyond the call of duty. So I think the motivation is making people feel good about themselves for the work they are doing."

Barriers

O'Dell said that the most common barriers to sharing knowledge are not really the result of poor rewards and recognition. "If we want people to share what they know with the organization, it turns out that the

limits to doing that typically are not motivational in the sense that we think about it," said O'Dell. "They want to know why is this going to be good for the organization and for themselves."

The first is establishing a compelling reason for employees to embrace the change. A lack of time and access to knowledge-sharing tools can also impede acceptance. Unless the organization dedicates the necessary resources, employees will be unable to reallocate their time.

"Another barrier is context," said O'Dell. "They're not sure what they know is really appropriate to someone else's needs. Or they don't want to put information out because they're scared somebody may misuse it."

Additionally, employees (especially subject matter experts and senior management) need to know that, relative to their other responsibilities, there will be a payoff.

Finally, there is absorptive capacity. An organization in the middle of a merger, acquisition, or reorganization will not have much time left to introduce a KM initiative. "Timing is everything," O'Dell said. "You've got to be able to provide them support and value from the knowledge-sharing activity itself in real time."

Incentives and Motivation

"When we're designing rewards in organizations, we often forget that what works in rats and dogs doesn't always work in people," said O'Dell. "We may know that, but if we look at what we actually do in rewards and recognition systems, we act as if classical conditioning works in organizations."

Whereas the physiologist Pavlov could condition dogs to salivate or react with fear in response to a bell through negative or positive rewards, such simplistic approaches do not work with humans. And similar approaches, such as operant conditioning, fail to recognize that, unlike rats and dogs, humans question actions. According to O'Dell, employees--and all stakeholders--want to know the justification behind business decisions and how their participation will affect overall and personal outcomes. "There's a social context, and cognitive and social psychology are going to be much more relevant to dealing with motivation in organizations than some of the simplistic cause-and-effect paradigms," she said.

"I think that you have to factor in the mass of people and their peer pressure in resisting changes," said Steve Weidemann of Fluor. "In spite of all the great cheerleading sessions you may have, they get together with their buddies and they resist. There is strength in numbers, and you must be aware of this resistance, and have plans in place to handle it."

This complexity is marked by the fact that people are influenced by the interaction between intrinsic and extrinsic motivation. Intrinsic motivation originates internally and emerges when the task itself seems rewarding and meets a person's goals. Extrinsic motivation originates externally and can cause the task to be perceived as a means to a rewarding end. "There is an interaction between intrinsic and extrinsic motivators," said O'Dell. "What has been interesting in the 30 years of research is that as you increase extrinsic motivation, you can drive out intrinsic reward. For example, if you give people \$20 every time they come to a community of practice event and then stop giving them that, they are going to be upset. Be cautious about attaching extrinsic rewards to behavior you want to persist over time." As extrinsic motivation--or the perception by the person that they are acting because of extrinsic motivation--increases, intrinsic motivation can decline. If intrinsic motivation declines, it may take more extrinsic rewards to maintain the behavior.

"We had done a study on mentoring, and we thought a lot of people were motivated by some extrinsic rewards we had in place," said Jeanne Holm of NASA. "But we found that 60 percent of the folks who were mentoring were doing it because of intrinsic rewards, because they thought it was the right thing to do and they got internal satisfaction [from it]."

Extrinsic rewards become a detriment when:

- an organization attributes more importance to money than it actually has,
- money is more prominent than it needs to be,
- compensation is confused with rewards,
- competition for rewards negatively impacts teamwork,
- employees conceal problems to gain rewards, and
- rewards ignore the underlying issues behind behaviors.

“When we first rolled out various KM initiatives, we used a variety of recognition strategies,” said Diane Weber of University HealthSystem Consortium. “And since then, we’ve been focusing more on implementation, ongoing learning, and the time involved to actually stop doing things the old way and do things the new way. There’s been little time to continue a large recognition effort, but we’re working to develop intrinsic rewards by publicizing success stories and encourage knowledge sharing from subject matter experts ... but finding the time is difficult.”

Participation and Contribution

“Participation, contribution, and rewarding people for helping make change is a very important part of what you’re trying to accomplish,” said O’Dell, who presented four rules of thumb to foster a culture open to knowledge-sharing principals.

The first rule is to always acknowledge the contributor of ideas, knowledge, and time. Senior management needs to recognize design teams and champions, and peers should nominate and recognize teammates for their contributions to the overall effort. Teams can recognize each other for their varying levels of contribution, but the organization, said O’Dell, should recognize the team. “If you’re working in a team space, where people are co-creating, always keep their names associated with their contribution. Sometimes people want to be associated at the team level, but it’s also good to let the team or community recognize individuals.”

Louise Anderson of Anderson Performance Improvement said, “People change at a different rate, so if you can tie the team together, you’ll have your early adapters. But you have team reinforcement, you’re more likely to watch that whole group go forward. And it’s not a management issue but a peer-to-peer issue.”

The second rule of thumb is to provide special recognition to volunteers, change agents, and role models—those people who take their personal time and devote energy to contribute or lead a KM effort or community. “They’re making choices in their own lives, sometimes personal sacrifices,” O’Dell said. “Having the managers and the people who matter to them in the organization say ‘thank you’ is very meaningful. As you move in maturity in your KM initiative, you may want to legitimize the time they spend and make room for it by building into their job description.”

The third rule of thumb is that subject matter experts are usually intrinsically motivated and value the opportunity to increase their own professional development. Meaningful recognition in this case hinges on increasing the usefulness of the interaction experts have through knowledge sharing and reducing the barriers to spending time and sharing what they know. “We’ve found that all of the newbies learn a tremendous amount from the more experienced folks,” O’Dell said. “But the experienced folks get drained. So, you can increase the usefulness to them through special round tables of just peers, inside and outside the organization.”

Ostendorf cited Schlumberger as an example of how KM can make experts’ jobs more rewarding. Field experts in specific products or environments can increase their productivity by placing the answers to frequent questions from entry-level field engineers in the KM community. Inexperienced engineers gain

easy access to information, and field experts are able to concentrate on more challenging questions, as well as their primary responsibilities.

The fourth rule is to create safe places to share. “One of the major barriers to engagement is a lack of relationship or trust between the source and the recipient. You’ve got to create an environment of trust and relationship building. People will help people they know, who help them in return. Ensure every community has role models for this behavior,” said O’Dell.

To accommodate people who are hesitant to contribute and fearful of a negative online image, organizations should initially set low requirements and then slowly raise the bar. “For instance, Buckman just asked people to use the system for the first few months as a message board to sell cars and talk about pets,” said O’Dell. “They made it fun for them. And once people got comfortable with it and shared, then they started raising the bar.”

Lessons Learned

Ostendorf presented a summary of key lessons learned during APQC’s nine studies in knowledge management. “Building on the power of intrinsic rewards, make the system self-rewarding,” said Ostendorf. “We need to build knowledge sharing into daily work, so that what you’re doing in your daily job is making you more successful.” Employees value access to experts, a community of peers, and a central source of information that is well-stocked in relevant and easy-to-find content.

The second lesson is that being perceived as an expert by peers and management matters. Siemens AG, for example, rewards top-quality contributors with professional development opportunities such as a global knowledge-sharing conference and ShareNet points that can be redeemed for goods.

Ostendorf also suggested linking and leveraging existing reward systems. “You don’t want to create something new that’s outside of your corporate culture or what’s accepted in your rewards and recognition program. You want to link it in with what you’re doing. And this will definitely evolve as your knowledge management initiative evolves.”

The fourth lesson is to celebrate success stories and propagate tales of savings and contributions. “Sometime those hard financials are not what they’re looking for; they’re looking for those success stories to let them know this is how we help,” Ostendorf said. “A lot of the time, those are more compelling at the beginning stages of an initiative.”

The final lesson is to recognize both parties or units involved, including those who share knowledge and those who use knowledge. If both ends do not feel rewarded, they won’t provide the results desired. “The savings doesn’t come from contributing; it comes from using what we know,” said O’Dell.

Motivation and the Stages of Implementation

O’Dell used APQC’s Road Map to Knowledge Management Results: Stages of ImplementationTM framework to identify when reward issues need to be addressed with formal action. “These are the five stages that appear to characterize how many organizations move forward in their knowledge management initiative--some with greater alacrity than others,” she said.

Stage 1: Get Started

Stage 2: Develop a Strategy

Stage 3: Design and Launch a KM Initiative

Stage 4: Expand and Support

Stage 5: Institutionalize Knowledge Management

“People tend to start worrying about when to think about rewards and recognition. It’s okay to think about it in stage one, but I wouldn’t get too wrapped around the axle [at that juncture]. It’s way too early to concentrate on what you’re going to reward if you don’t even know what you’re going to accomplish,” said O’Dell.

Those who develop the strategy deserve some informal recognition in Stage 2, but it still may be too early to establish a rewards system. O’Dell suggested instead focusing on determining the value propositions to meet the needs of potential users. Likewise, recognition at Stage 3 of early adopters is very appropriate. “However, I suggest you mute the trumpets until you have something tangible and credible to demonstrate. But when you get to Stage 4 and really feel that you’ve got a proof of concept that KM is legitimate for the organization, you will need to consider your current reward and recognition system and align it with the new behaviors,” O’Dell said. “If it’s not aligned, you may need to make some changes.”

Many of the participating organizations reinforced O’Dell’s recommendations; now at stages 3 and 4, they have an increasing need to establish a formal rewards and recognition system. “I think we’re in the fourth stage. I think we have the proof of concept,” said Steve Weidemann of Fluor. “Rewards and recognition is something we’re focusing on right now. ... Continually revalidating our strategy is critical.”

Louis Janke of Lockheed Martin said, “I think that we’re at Stage 4, but bouncing back and forth to Stage 2. It seems like there might be a feedback loop from each one of these stages to even Stage 1.”

O’Dell explained that this loop illustrates the need to wait until Stage 4 to cement plans for rewards and recognition. “The initial strategy that organizations develop at Stage 2 is based on the vision they’re capable of then. What you’re capable of strategizing after Stage 3 is a very different thing.”

As a final comment, both O’Dell and Ostendorf stressed that, ideally, the benefits of knowledge sharing are intrinsic. However, the work and change involved require organizations to create appropriate, structured systems to encourage employees to change behavior and reduce barriers. Regardless of what methods an organization chooses to recognize and reward individuals engaged in knowledge sharing, it is imperative that they align with organizational culture.