

The power of peer recognition points: does it really boost employee engagement?

Natalia Rusin and Tomasz Szandała

Abstract

Purpose – This paper aims to explore the impact of peer recognition points (PRP) on employee engagement and motivation within organizations. It investigates whether PRP systems genuinely satisfy employees' need for appreciation and how they can be effectively implemented to enhance employee performance and retention.

Design/methodology/approach – This study uses a comprehensive literature review and analysis of existing peer recognition platforms alongside case studies of organizations implementing PRP systems. Surveys and qualitative interviews with employees and HR professionals provide additional insights into the practical application and effectiveness of PRP.

Findings – The research indicates that PRP systems significantly boost employee engagement and motivation by fulfilling the psychological need for recognition. Organizations with robust PRP programs experience lower voluntary turnover rates and higher employee satisfaction. The study also identifies and addresses potential challenges, such as lack of interest or shy employees, for implementing PRP systems effectively.

Research limitations/implications – While the study offers substantial insights into PRP's benefits, it acknowledges the limitations of generalizability due to the primary focus on IT companies. Future research should examine a more diverse range of industries and consider long-term effects. Additionally, the study emphasizes the need for continuous monitoring and adjustment of PRP systems to sustain their effectiveness.

Practical implications – The most important value of the paper is the actionable strategies provided for managers and organizations to integrate PRP into various work cultures and systems. These strategies focus on enhancing team morale and productivity, ensuring adaptability across different industries and organizational structures. The findings serve as a practical guide for fostering a more appreciative and motivated workplace culture.

Social implications – By promoting a culture of recognition and appreciation, PRP systems contribute to a more positive and supportive work environment. This, in turn, can lead to improved employee well-being, job satisfaction and a sense of belonging, ultimately enhancing the overall social dynamics within the workplace.

Originality/value – This paper contributes to the understanding of nonmonetary recognition strategies in HR management. It highlights the psychological benefits of peer recognition and provides practical recommendations for organizations seeking to improve their employee engagement through PRP systems. The findings offer valuable insights for HR practitioners aiming to foster a more appreciative and motivated workplace culture.

Keywords Motivation, Employee engagement, Organizational behavior, Employee retention, Workplace culture, HR management, Peer recognition, Non-monetary rewards

Paper type Research paper

Introduction

Organizations worldwide strive to build an environment where employees feel appreciated. An adequate salary or social benefits may be the keys; however, the answer may be even



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more straightforward. It turns out that 84% of people think it is essential to receive rewards for their efforts ([Reward Gateway, 2022](#)). While rewards themselves are important, recognition is what really drives employee engagement and productivity. Even 78% of employees looking to leave their job said they would stay if the company offered more recognition and reward ([Reward Gateway, 2022](#)). Employees who feel appreciated and valued are more likely to stay engaged and motivated to contribute their best work.

Unsurprisingly, positive affirmation from line managers or higher management undeniably validates one's efforts, enhancing the prospects of job security, promotions or salary increments. However, according to a survey by QuantumWorkplace, 41% of employees value acknowledgment from their peers or even those lower on the organizational chart just as much as they do from their superiors. It means that the source of praise does not diminish its impact, as the joy of being recognized transcends organizational structure and is fulfilling regardless of who delivers it. The challenge is to provide all the employees with an equal and efficient possibility to freely recognize each other's contributions, help and hard work. Organizations can fulfill this need by introducing a peer recognition system, such as peer recognition points (PRP). Popular peer recognition platforms include Kudos or Applauz, which allow staff members to praise their peers by giving each other points or virtual tokens that can be later spent on chosen awards. Are these PRP another superficial answer to the need for appreciation, or are they genuinely satisfying for the employees?

This study will answer this question by discussing the impact of recognition, the concept of PRP and how self-motivation is connected with PRP. Most importantly, we will indicate how organizations can use it to boost employee engagement effectively.

The impact of peer recognition

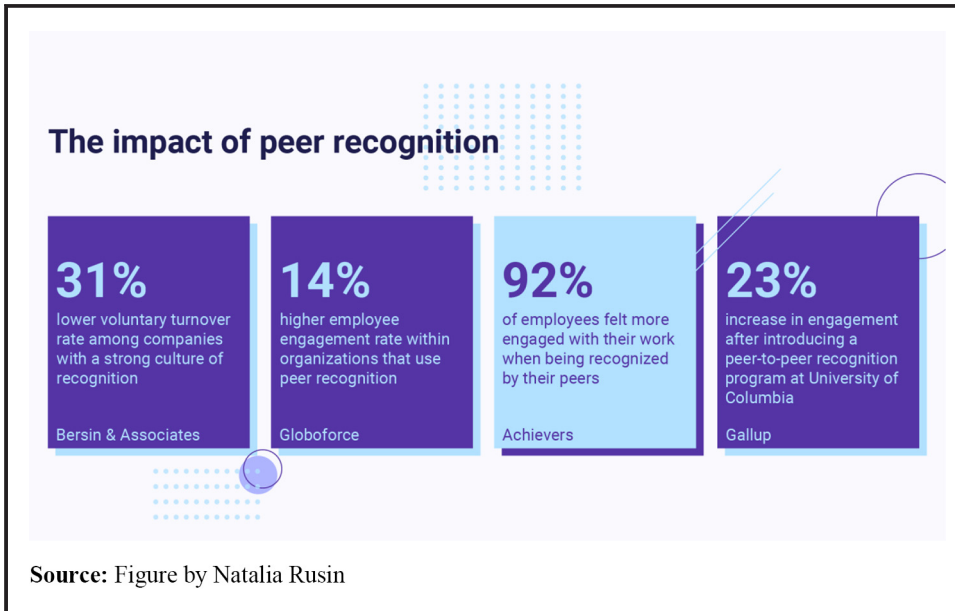
Adrian Gostick and Chester Elton, authors of *Leading with Gratitude*, found that 67% of managers think they are above average in offering praise and recognition to their employees. However, only 23% of their subordinates agree. The discrepancy is significant, indicating that the need for recognition is much higher than the managers expect. Increasing the frequency of acknowledging employees' efforts can positively impact engagement and productivity. Bersin and associates found that companies with a strong culture of recognition have a 31% lower voluntary turnover rate. Peer recognition can be a powerful tool to fulfill employees' need for appreciation without introducing complex processes. However, how much impact can it have?

According to a study by Globoforce, companies that use peer recognition have a 14% higher employee engagement rate than those that do not. Additionally, a survey by Achievers found that 92% of employees surveyed felt more engaged with their work when they received recognition from their peers. Peer recognition has been successfully applied in many institutions and organizations. For instance, Keck Medicine of (University of Southern California) USC provides staff with opportunities for on-the-spot, peer-to-peer recognition with Trojan Bucks and Trojan Points. As a result, employee engagement was boosted by 16% ([Ryan, 2016](#)). The University of British Columbia saw an even more significant increase after implementing a peer-to-peer recognition program called "Applause", where employees awarded contributions with digital badges. The initiative positively impacted engagement ([Figure 1](#)), with a 23% increase and a 26% gain in recognition messages sent ([Gallup, 2019](#)).

The concept of peer recognition points

One of the ways of including peer recognition in daily work is by introducing the idea of PRP. The general concept is to give employees some points each period which can be given to co-workers to show appreciation for their hard work on a project, help or various initiatives. For instance, regardless of experience or seniority, every employee gets 2,000 points each quarter; however, they cannot use them for themselves. The only possible

Figure 1 Statistics about peer recognition impact on organization



operation is to award peers by transferring a selected number of points and a note of appreciation. They can be donated either publicly or privately, and they can also be given anonymously.

Moreover, some platforms allow users to make a quick, additional donation for those employees that received public recognition if they feel it is worth further appreciation. The time when employees can transfer their points to other peers is limited. If not all points are donated within a given timeframe, they expire. The points an employee has collected from peers can be exchanged for awards such as vouchers, electronics and virtual goods, and there is no time limit for collecting the awards. Sometimes an employee can collect the gift even after finishing their job at a company.

In some cases, the managers might give additional points outside their personal pool for outstanding contributions to the company or participation in a contest or hackathon. The admin can usually access statistics of PRP. Many platforms implement the idea of PRP, such as Kudos, Motivosity, Reward Gateway, Applauz and Bonusly. They may differ slightly, but the general concept remains the same, regardless of the system the company is using.

Psychological aspects of intrinsic motivation and peer recognition points

Understanding the psychological factors behind motivation is essential for maximizing the effectiveness of PRP. At its core, peer recognition taps into employees' intrinsic motivation by aligning with their desire for autonomy and empowerment. Longing for a sense of achievement or personal growth are key drivers of intrinsic motivation. By recognizing peers, employees feel more connected to their work and team, boosting their self-motivation.

The principles of autonomy, mastery and relatedness, as proposed by self-determination theory, align with the practice of peer recognition. Autonomy is fostered as employees have control over whom they recognize and why. Mastery is encouraged by promoting the recognition of skills and growth within the workplace. Relatedness is built through the strengthening of interpersonal connections and the cultivation of a positive team environment. The connection between self-motivation and PRP reveals an exciting path

toward employee satisfaction, engagement and overall well-being. By understanding these psychological factors, organizations can design and implement peer recognition programs that resonate with their employees' innate desires and drive them to excel in their roles.

Drawing from a three-year journey described in the book "Elevating the Human Experience" by Amelia Dunlop we see that PRP emerges as a potent tool for infusing the ethos of love and appreciation in professional settings. These points allow colleagues to tangibly acknowledge and celebrate one another's contributions.

- *Show, do not tell:* Actions, through awarding points, resonate more than mere words, demonstrating genuine appreciation.
- *Catalyze the movement:* Giving and receiving points can inspire emulation of positive behaviors, spotlighting valued actions.
- *Celebrate progress:* Recognize small wins and growth, not just significant achievements, fostering an environment of continuous encouragement.
- *Change the narrative:* Recognitions can emphasize collaboration and connection over mere business outcomes, transforming workplace conversations.
- *Anchor through artifacts:* Visual representations of points, like leaderboards or awards, serve as reminders of the value of human connections.
- *Demonstrate the value:* The data from these recognition points can tangibly showcase the economic and cultural merits of close-knit workplace relationships.

Incorporating PRP amplifies the principles of "Elevating the Human Experience" but also addresses core psychological aspects of motivation, creating an environment of intrinsic drive and deepened connections. In summary, from a psychological point of view with PRP organizations can craft a workspace where individuals feel seen, appreciated and invigorated to contribute their best.

The pros of peer recognition points

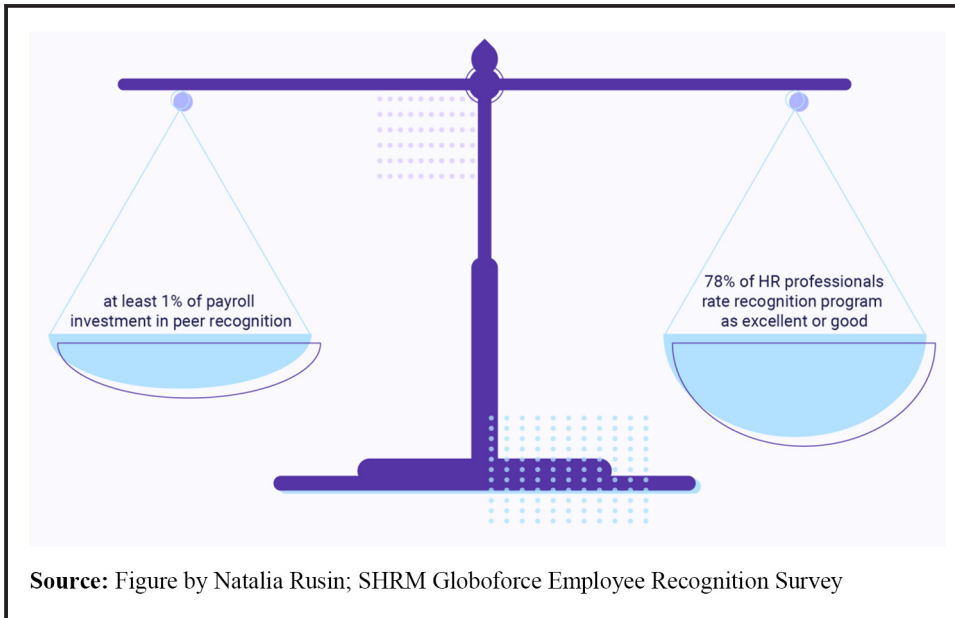
There are several advantages to introducing PRP, as they benefit employees and organizations simultaneously.

The most prominent asset of PRP lies in the root of their idea. It aims to encourage employees to take notice of their colleagues' contributions and accomplishments. By recognizing mutual work, employees are more likely to feel a sense of belonging and camaraderie, strengthening the team's bounds. Moreover, in this situation, the principle of hope for favor return comes into play as employees will recognize their peers, hoping that somebody could acknowledge their efforts back.

Furthermore, PRP are an effective tool that helps organizations fulfill employees' need for recognition. They provide instant feedback and gratification, boosting morale and motivation. The cycle of donating and receiving points repeats; therefore positive impact can be sustained in the long term. There are no negative points, so the possibility of discouragement is limited. Notably, the risk of conflict or jealousy is low as the points are donated by all peers, not just the managers.

PRP are a low-cost and easily scalable way to recognize employees' contributions and initiatives (Figure 2). The system only requires a little attention from HR departments or managers, apart from monitoring possible pathologies, which are discussed later. In many organizations, the efforts are recognized only periodically, e.g. annually or during special events or competitions. This way decreases significantly the number of awarded people and gratitude to only a small group of top performers. With PRP, it is possible to show appreciation for all contributions daily, which makes recognition more accessible to everyone.

Figure 2 Balance between peer recognition investments and return



Another benefit is spending the points according to the employee's desire. This approach can accidentally train people to accumulate assets, as some rewards may require more points. At the same time, the need to collect more expensive awards can mean the employee will keep working in the organization.

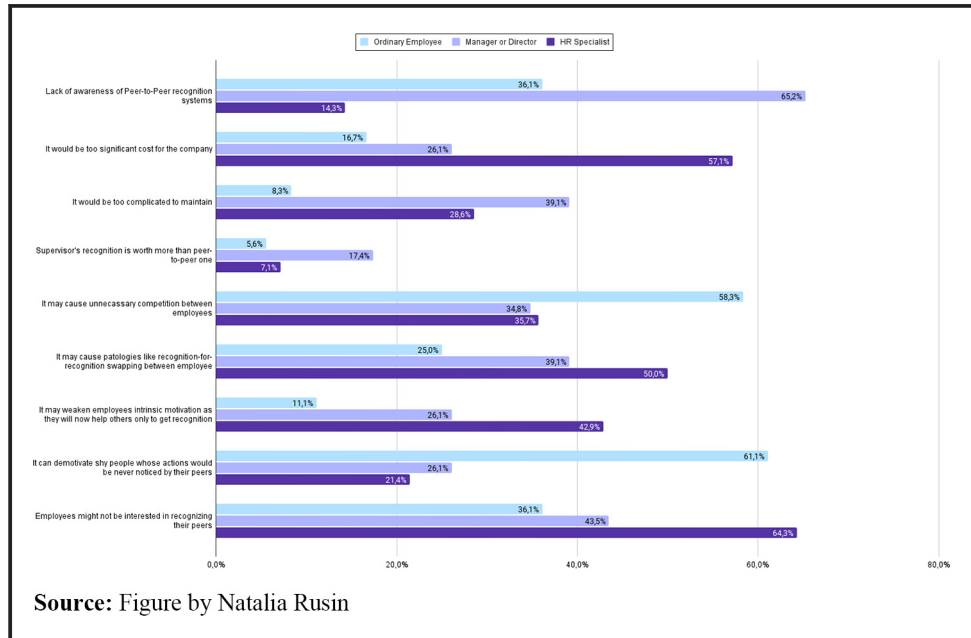
In the context of the article "How to Create Belonging for Remote Workers" (Fosslien and West-Duffy, 2019), addressing the challenge of fostering a sense of belonging among remote employees is essential. In the post-COVID era, as remote work happens daily and face-to-face interactions are minimized, the PRP system encourages employees to take more exposed and noteworthy actions, ensuring their work does not go unnoticed in a virtual environment. The pursuit of recognition is a reason to facilitate teamwork and collaboration, strengthening bonds among remote colleagues. The PRP system becomes a strategic tool for maintaining cohesion and community in an increasingly dispersed work world, effectively responding to the challenges and opportunities of the new normal.

Finally, points can be an additional factor for motivating people to perform their duties on time, like doing mandatory training or submitting reviews and documents required by company's policy (Black, 2023). Finally, it can act later during an employee's salary or annual incentive review evaluation as a measurable factor. It can be considered from multiple angles: is this person recognized only from inside their team or from others? Are donors the same people each period or different? The statistics provided by PRP systems can be helpful for managers to observe how the teams interact internally and as a whole organization.

Understanding resistance and overcoming the challenges of adoption

Despite having many benefits, there are also potential drawbacks and reasons why only some companies embrace PRP. We have surveyed people (Figure 3): why is your company not using PRP to engage employees? Respondents had to specify their role: ordinary employee, manager or director and HR specialist and could give several reasons. Furthermore, they were able to justify the shared concern.

Figure 3 Survey results among employees, managers and HR specialists



Over one-third of employees and almost two-thirds of managers were unaware of such systems. This implies the importance of PRP popularization efforts like this article.

The big concern, mainly for HR departments, is the cost for the company. While the value of a single point can be freely adjusted by the company individually, it is worth mentioning that PRP generates costs when they can be exchanged for rewards. This is also tied to the complexity of tax payments, especially nowadays, as many companies hire internationally, so different policies apply. We can address this by simplifying awards, for instance by limiting them only to vouchers that do not require an individual approach. Furthermore, management raised concerns regarding complexity of such systems as they fear that PRP might be included in periodic reviews of employees. Organizations would have to carefully adjust the value of the points in comparison to other factors to minimize this issue. Still, PRP systems provided by third-party companies come with built-in tracking systems that can facilitate the process rather than be an obstacle, as they could provide insight into employees' cooperation and activity inside the company.

Other concerns focus on the pathologies of PRP. The first one, mainly raised by employees, is the quantity over quality of recognition. This leads to the "gaming" mentality, where employees are more concerned with earning points than recognizing meaningful contributions. Another related issue is the risk of creating the custom of points swapping, noticed by HR specialists, especially near the end of the period. Because the unused points expire, some employees might agree to donate them to one another without any significant reason. This aspect can be addressed effectively by limiting the maximum number of points an employee can transfer to a particular person within a period. Finally, people who are shy or introverted might have a more challenging time getting recognized for their valuable work. It may be a setback in the case of peer recognition, as a genuinely deserving person might be omitted due to not being prominent. On the other hand, this issue is not specific to only PRP, as research suggests that introverted individuals can face difficulties in recognition and promotion in the workplace even when they perform well (The Hidden Advantages of Quiet Bosses, HBR 2013). A suggested approach to counter this issue is to allow for rewarding the whole team working on a particular project, not just an individual.

Our study also confirms other studies that demonstrate people acknowledge the recognition, regardless of its source, as less than one in ten respondents valued only managers' recognition as an essential factor against introducing PRP.

On the other hand, there is the lack of interest of employees in PRP. All three groups of respondents notice it as a severe obstacle. Some employees may feel uncomfortable giving or receiving recognition from their peers. Among the reasons for this behavior, we can list personality traits or simply a lack of interest in participation in the program. A reluctant approach might also be caused by cultural differences or a solid attachment to a company's hierarchical structure. To minimize negative responses to PRP, a behavioral prediction analysis should be performed to evaluate potential risks, e.g. a summary of strengths, weaknesses, opportunities and threats analysis. No matter how well the system is designed and easy to maintain, it is up to the employees to fully embrace its potential and benefits. Most importantly, the PRP may not effectively address deeper employee engagement and motivation issues, such as workload, job design or leadership. If all the mentioned aspects are lacking, PRP will not be a satisfactory solution to an organization's problems. The crucial thing is constant monitoring, reviewing and adjusting rules of PRP to satisfy all employees, management and HR in having a healthy working environment.

Making the most of peer recognition points

There are several good practices that organizations should follow to make the most of PRP.

Align peer recognition with company values: Peer recognition should become a custom tied to the organization's core values and goals. Additionally, the acknowledged effort should be linked to a particular company value so that employees can understand how their actions align with the company's principles. A green-energy investment bank dedicated to financing environmentally sustainable projects can recognize the importance of aligning internal practices with its mission of ecological responsibility. Employees should be encouraged to identify peers who demonstrated exemplary eco-friendly behaviors, such as organizing carpooling, reducing paper usage and proposing or participating in community green initiatives, by giving them a certain amount of points. By doing so, they become a way to strengthen the company's mission and culture without overwhelming the employee. A good example can be Salesforce's Ohana program, where employees are encouraged to perform peer-supportive actions like carsharing during work commuting. Each trip can be recognized with e-Thanks redeemable for small vouchers to Amazon.

Encourage frequent appreciation: Peer recognition should be encouraged regularly. Organizations can achieve it through regular reminders, prompts and by integrating peer recognition into daily workflows. PRP can help foster frequent appreciation as they often expire after a certain period. For instance, employees of MultiMedia LLC are granted hundred points per month to be spent within that period. By doing so, employees can freely recognize each other's efforts without worrying about the lack of points to give. As the points expire after a month, frequent reminders are shared on the company's social channels like Slack or Gmail.

Recognize all efforts: The concept should be inclusive and recognize all contributions, big or small. It aids in creating a culture of appreciation and recognition, which is essential for building a positive workplace and boosting engagement. PRP are an efficient tool to help achieve this as they can easily be implemented into daily workflows like code review in IT companies. Pink Identity proposed such a solution in their product PinkDataGovernance. If a code review had been accepted, all employees who contributed to this process would have been automatically given points.

Measure and track: Organizations should monitor PRP to understand their impact on employee engagement and productivity. A multitude of third-party SaaS tools provides a visible recognition dashboard. Such a solution was used in a company Vonage, wherein the tool Applauze

employees could browse the list of recent recognitions and the number of points granted in each donation. To minimize the risk of rivalry, the total amount of points each employee collected was not available publicly. However, this tool provided detailed statistics to HR departments to help make improvements and adjust the program to ensure it is relevant and timely.

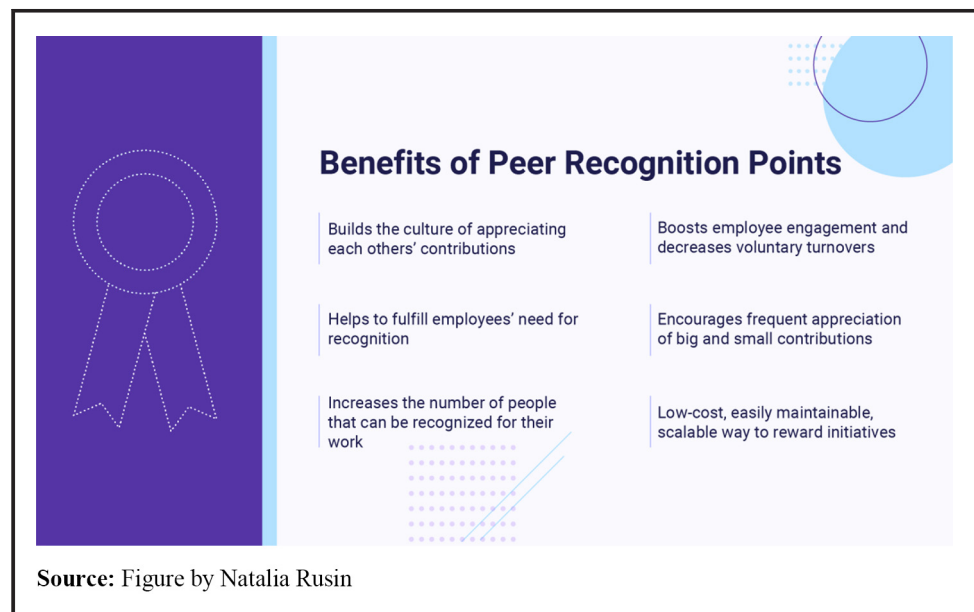
Be precise: When introducing the recognition system, emphasize the need for specific details about acknowledged actions. It is crucial to tailor the note of appreciation to the person and avoid a generic message that has been used numerous times. Nokia encourages such an approach in their Everyday Excellence program, where providing a custom comment is obligatory when sending e-thanks for recognizing employees' efforts with points. Giving explicit recognition has a positive impact, making employees 2.5 times more likely to repeat their behavior (Globoforce, 2018 Employee Recognition Report).

The success of PRP relies heavily on the organization's culture. If introduced properly, the system can boost employee engagement, but the positive impact might be limited without proper care, supervision and encouragement.

Conclusion

Numerous pieces of research prove that employees must be recognized for their efforts and contributions. PRP are an efficient and scalable solution that, when introduced correctly, can effectively boost employee engagement while fulfilling the need for acknowledgment (Figure 4). Aligning the recognition process with the company's values can increase awareness of an organization's mission. It can be a great tool to spark employee creativity while looking for new ways to be recognized. Furthermore, it teaches the importance of valuing all kinds of efforts, not only the big ones. By including this concept in daily workflows, organizations can encourage employees to appreciate each other's contributions and strengthen workplace culture. PRP differ from traditional recognition methods. At the same time, they fulfill the natural desire for connection and growth, making them a unique and valuable approach to maintaining a positive and engaged workplace.

Figure 4 Summary of benefits from peer recognition points



Source: Figure by Natalia Rusin

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