



Dispelling misconceptions and providing guidelines for leader reward and punishment behavior

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Abstract One unfortunate consequence of the focus on “charismatic,” “transformational,” and “visionary” leader behaviors during the past few decades has been the tendency to diminish the importance that transactional leadership behaviors have on leadership effectiveness. We say that this is unfortunate because recent research has shown that transactional leadership, in the form of contingent reward and punishment behaviors, can have substantial effects on a variety of important employee attitudes, perceptions, and measures of job performance. Therefore, in this article we discuss some possible reasons why transactional leadership has been relegated to a lesser role than transformational leadership, summarize the research that indicates the importance of leader contingent reward and punishment behavior to leadership effectiveness, and identify some of the mechanisms that these forms of leadership behavior work through to influence employee attitudes and behaviors. Following this, we address ten misconceptions managers often have regarding the administration of rewards and punishments, and provide some recommendations about how leaders can improve their effectiveness in administering recognition and discipline in organizational settings.

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1. Weighing the value of leadership

It has become increasingly popular in the past 20 years to extol the virtues of “transformational,”

“charismatic,” “strategic,” and “visionary” leadership (Avolio, 1999; Bass, 1985). According to Bass (1985), transformational leadership behaviors transform the values of employees, activate their higher-order needs, and encourage them to transcend their own self-interests for the sake of the organization. One obvious reason for the interest in these leadership behaviors is that empirical evidence (Judge & Piccolo, 2004) has shown that transformational leadership behaviors—such as articulating a vision,

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idealized influence, intellectual stimulation, individualized consideration, and inspirational motivation—have positive relationships with employee attitudes and behaviors, and with measures of organizational effectiveness.

However, one unfortunate consequence of this trend toward transformational leadership is that it tends to focus attention away from what has come to be called “transactional” leadership. We say unfortunate, because two recent studies (Judge & Piccolo, 2004; Podsakoff, Bommer, Podsakoff, & MacKenzie, 2006) have shown that one of the primary forms of transactional leadership, called leader contingent reward behavior, is more strongly related than transformational leadership to some employee outcomes. In addition, this research has shown that two other forms of transactional leadership, called contingent and noncontingent punishment behaviors, also have important relationships with employee attitudes, perceptions, and behaviors.

Therefore, the purpose of this article is to review the research on transactional leadership and discuss its importance for practicing managers. As a first step in this process, we discuss some possible reasons for the trend away from transactional leadership to transformational leadership. Following this, we summarize the literature on the relationships between leader reward and punishment behaviors and employee outcomes. Next, we explore some of the theoretical mechanisms that these behaviors work through to influence employee attitudes and behaviors. We then address ten popular misconceptions held by many managers regarding leader reward and punishment behaviors in organizations. Finally, we provide some recommendations for leaders who wish to improve their effectiveness in administering rewards and punishments in organizational settings.

2. Reasons for the trend away from transactional leadership

There are several possible reasons for the trend away from transactional leadership and toward transformational leadership. The first reason is that strategic, visionary, and transformational leadership behaviors seem to be more important than transactional leadership behaviors. For example, the connotation of strategic and/or visionary leadership is that it addresses more complex and important issues than transactional leadership. Indeed, it has been argued that a company's vision and strategy are the cornerstones of a successful organization (Collins & Porras, 1995; Kotter & Heskett, 1992; Quigley, 1993). In contrast, transactional leadership is often associated

with the day-to-day interactions that leaders have with their followers, and these interactions do not seem nearly as important as guiding the ship of state.

Related to this, transformational leadership is consistent with the notion of an organization's strategic intentions and implies change, which is often viewed as the essential ingredient of contemporary leadership. Certainly, one of the most popular images of effective leaders today is that they initiate and implement change:

As we move closer to the new millennium, models of outstanding leadership such as transformational, charismatic, and visionary leadership, which focus on organizational transformation, are likely to become even more important because of the breathtaking changes foreseen in the business and political environment. (Eisenbach, Watson, & Pillai, 1999, p. 80)

Another potential reason for the shifting focus toward transformational leader behaviors is the problem some managers and academics have with the definition of “transactional” leadership. According to Bass (1985), this form of leadership is based on an exchange that leaders develop with their followers:

The leader and follower agree on what the follower needs to do to be rewarded or to avoid punishment. . . . A bargain is struck. A contract is signed. An exchange is agreed upon. . . . Directly or indirectly, leaders can provide rewards for progress toward such goals or for reaching them. Or, they can impose penalties for failure ranging from negative feedback to dismissal. Such positive and aversive contingent reinforcement are seen as the two ways managers in organized settings engage in transactional leadership to motivate employees. (pp. 121–122)

Although it is not our intent to be critical of Bass, we think that this definition of transactional leadership is unfortunate for two reasons. First, it seems to imply that leaders and their followers have an *explicit* agreement as to the specific things that followers are supposed to do in order to receive rewards from their leader. However, we doubt that most leaders establish such an explicit “contract” with their followers; indeed, this assumption seems to run contrary to the interactions we have observed between effective leaders and their followers in organizational settings, which are much less formal than Bass' definition would seem to imply. Second, Bass' (1985) definition implicitly suggests that the nature of the exchange relationship between the leader and his/her followers is one in which followers do just enough

to warrant the administration of rewards under the leader's control. In this sense, the rewards take on the appearance of an inducement that the leader dangles in front of his/her followers in order to do his/her bidding. However, this is not how *effective* leaders use rewards and punishments.

As a result, we believe it makes more sense to refer to transactional leadership behaviors as leader contingent reward and punishment behaviors because the definitions of the latter terms have fewer negative connotations associated with them. *Contingent reward behavior* may be defined as the leader's administration of positive feedback in the form of recognition, praise, and/or acknowledgment to those employees who demonstrate good performance, show improvements in performance, or exhibit desirable behaviors. In contrast, *contingent punishment behavior* may be defined as the leader's administration of negative feedback in the form of reprimands, criticism, or disapproval to employees who exhibit poor or declining performance, or undesirable behaviors. Both of these types of leader behavior are defined as being "contingent" because they are administered to employees based on performance and/or desirable behavior, and not as inducements or as a means of negotiation.

In addition to contingent reward and punishment behavior, research has also demonstrated that some leaders administer feedback noncontingently; that is, they either provide positive feedback to those who are not performing well, or they administer negative feedback to employees who are not performing poorly. We refer to the administration of positive feedback to people who do not deserve it as *noncontingent reward behavior* and the administration of negative feedback to those who do not deserve it as *noncontingent punishment behavior*.

3. Relationships between leader reward and punishment behavior and employee outcomes

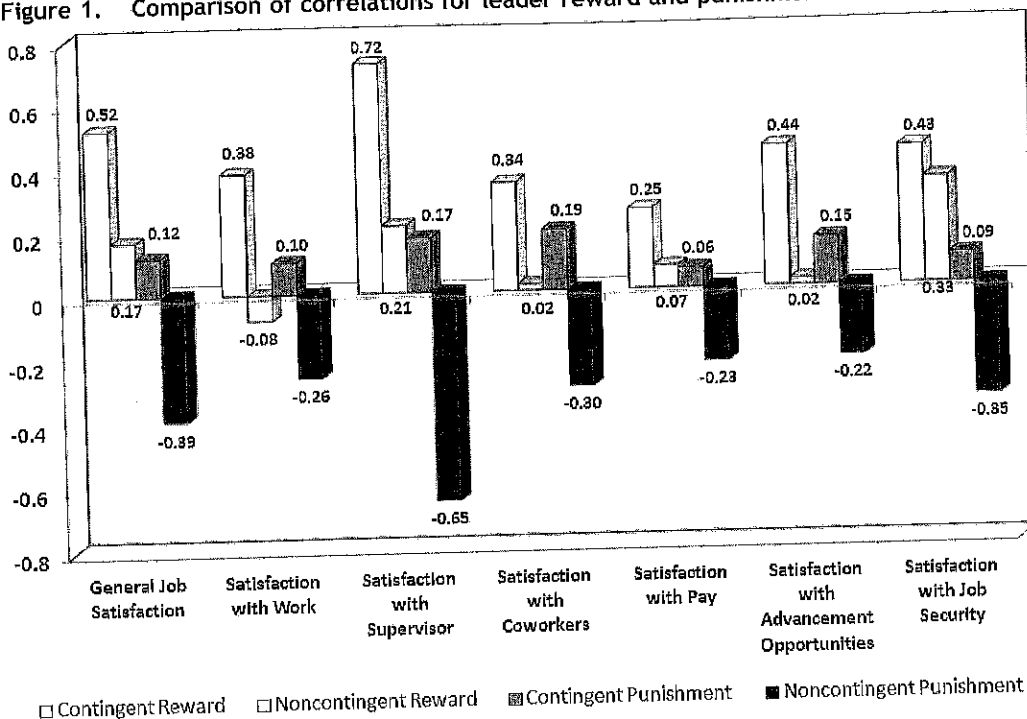
The importance of contingent reward and punishment behaviors has been noted in two recent meta-analyses (Judge & Piccolo, 2004; Podsakoff et al., 2006). Meta-analysis is a statistical procedure in which the results of numerous studies are combined together to get a better estimate of the actual relationship between two or more variables. For the purposes of their study, Judge and Piccolo (2004) examined the relationships between transformational and contingent reward leader behaviors and several criteria. They found that although transformational leadership behaviors had stronger positive relationships than contingent reward behavior

with follower satisfaction with the leader and leader effectiveness, contingent reward behavior exhibited stronger positive relationships with both follower job satisfaction and leader job performance. These findings led Judge and Piccolo (2004) to conclude that "contingent reward leadership. . . [produces] validity levels comparable with those of transformational leadership. The difference in the overall validities. . . was relatively small, and. . . contingent reward showed higher validity coefficients than did transformational leadership for half. . . of the criteria" (p. 763). Thus, it would appear the assumption that transformational leadership behaviors are superior to contingent reward behaviors is questionable, since both of these types of leadership behavior are related to important outcome variables.

Although the study by Judge and Piccolo (2004) demonstrated that leader contingent reward behaviors are more strongly related than transformational leadership to several important outcomes, this review was somewhat limited in its scope because it did not include *noncontingent* forms of leader behavior. This is an important omission, because there is a significant amount of evidence indicating that the relationships between leader noncontingent reward and punishment behaviors and employee outcomes are substantially different from the relationships between contingent forms of these behaviors. The study was also limited to a fairly small number of criterion variables. In response to these limitations, Podsakoff et al. (2006) conducted a more comprehensive study of the relationships between leader reward and punishment behaviors and employee attitudes and behaviors.

Figure 1 illustrates a summary of the relationships reported by Podsakoff et al. (2006) as regards leader reward and punishment behaviors and several facets of employee satisfaction. As is shown, contingent reward behavior had the strongest relationships with all of the facets of employee satisfaction, followed by noncontingent punishment behavior, noncontingent reward behavior, and contingent punishment. Figure 1 also displays that leader contingent reward behavior had stronger positive relationships with all facets of employee satisfaction than did leader noncontingent reward behavior; the same was true for the relationships between leader contingent and noncontingent punishment behavior and these facets of satisfaction. These findings are important because they indicate that regardless of whether leaders are administering positive or negative feedback, this feedback is more effective when it is linked to employee performance than when it is not. Finally, the results reported in Figure 1 indicate that leader contingent punishment behavior was

Figure 1. Comparison of correlations for leader reward and punishment behaviors and employee satisfaction



Source: Adapted from Podsakoff et al., 2006.

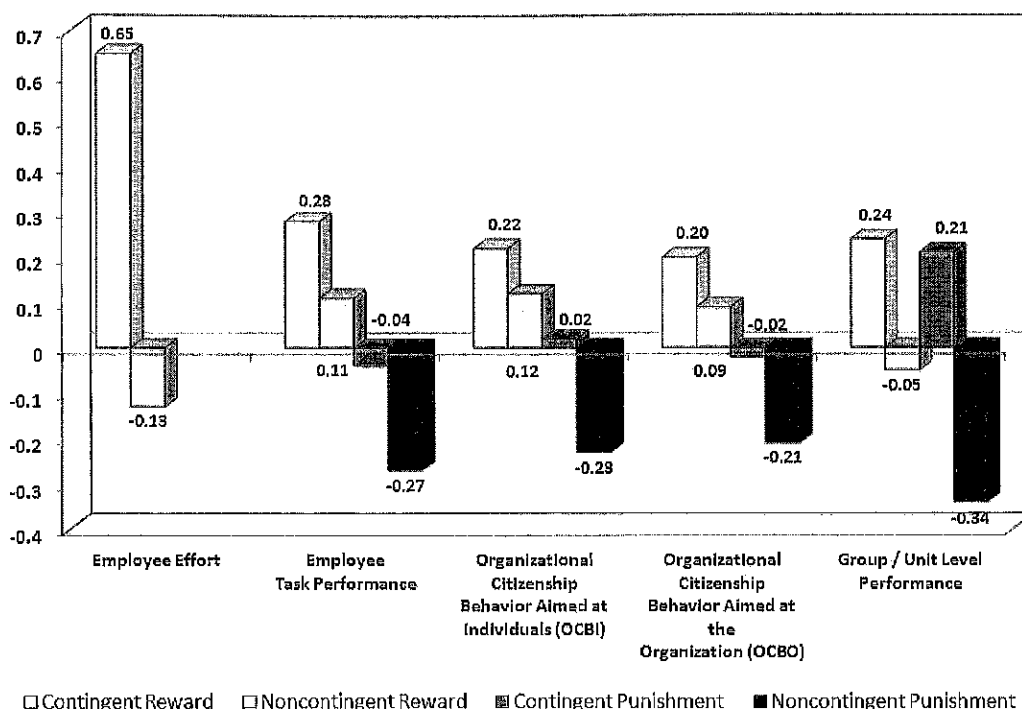
positively related to all seven facets of employee satisfaction, and generally more positively related to employees' satisfaction with their work, coworkers, and advancement opportunities than was leader noncontingent reward behavior. These findings are noteworthy because they suggest that negative feedback provided by leaders to those who deserve it can have more functional effects on employee satisfaction than positive feedback which is undeserved. They are also interesting because they suggest that employees generally feel better about their supervisor, coworkers, and opportunities for advancement when their leaders hold employees accountable for poor performance.

Figure 2 presents a summary of the relationships reported by Podsakoff et al. (2006) between the leader reward and punishment behaviors and employee effort and performance. Four types of job performance are included in this illustration. Task performance represents an employee's performance on the requirements of his/her job. According to Organ (1988), organizational citizenship behavior (OCB) is "individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization" (p. 3). Generally speaking, there are two categories of organizational citizenship behaviors. The first category refers to citizenship behaviors aimed at helping other individuals (OCB-I) in the organization. The second category refers to citizenship behaviors aimed at

the organization itself (OCB-O). These two forms of OCB are important because they have been shown to be related to both managers' evaluations of employee job performance and to objective measures of organizational performance (Podsakoff, Whiting, Podsakoff, & Blume, 2009). The final form of performance reported in Figure 2 is group- or unit-level performance. This represents the performance at the group level of analysis, rather than performance at the individual level of analysis.

Several relationships are worth noting in this figure. First, even though the positive relationship between contingent reward behavior and employee effort was significantly stronger than the negative relationship between noncontingent punishment behavior and this criterion, the strength of the positive relationship between leader contingent reward behavior and employee performance—that is, task performance, OCB-O, and OCB-I—was about the same as the strength of the negative relationship between noncontingent punishment behavior and these criteria. This suggests that leader contingent reward behavior and noncontingent punishment behavior have similar effects on employee performance, but that they work in the opposite direction. Second, although leader noncontingent reward behavior generally had somewhat positive relationships with individual-level measures of employee performance, and leader contingent punishment behavior had virtually no relationships with these criteria, the opposite was true in the case of

Figure 2. Comparison of correlations for leader reward and punishment behaviors and employee effort and performance



Source: Adapted from Podsakoff et al., 2006. Podsakoff et al. did not report meta-analytic results for the relationships between employee effort and leader noncontingent reward behavior and leader contingent punishment behavior because there were too few studies examining these relationships.

group-level performance. These findings lend support to the contention (Trevino, 1992) that applying punishment in a social context may be more effective than applying it to individuals, because the administration of punishment in social contexts is likely to be observed by people other than the individual receiving the punishment. Finally, the results also show that although the strength of the relationships between leader contingent reward behavior and leader noncontingent punishment behavior and employee performance are similar (but in opposite directions), noncontingent punishment has a stronger impact on group-level performance than does contingent reward behavior. Taken together, these findings suggest that groups are particularly sensitive to negative feedback, and that leaders who administer punishment in group settings need to ensure that they are administering it to those group members who deserve it.

4. What are the mechanisms through which leader reward and punishment behavior work?

Although the meta-analyses summarized above provide compelling evidence that leader contingent

reward and punishment behaviors have relationships with a variety of employee attitudes and behaviors, these results do not explain how these leader behaviors have their effects. Therefore, we will now discuss the mechanisms through which these behaviors may work to influence employee outcomes.

4.1. Role clarity

Leaders who effectively administer positive and negative feedback help clarify expectations regarding followers' roles in an organization. Specifically, contingent rewards make clear those behaviors or actions that are expected from followers, whereas contingent punishments serve as a strong signal to followers as to which behaviors or performance levels do not meet the leader's expectations. This is consistent with the findings of Sims and Szilagyi (1975), who concluded in their study of over 1,100 hospital employees that leader contingent reward behavior was "related to satisfaction through the reduction of perceived role ambiguity" and that "although one normally would expect leader punitive behavior, i.e., punishment, to be dissatisfying to the subordinate. . . the need for role clarification is sufficiently strong that the subordinate accepts punitive leader behavior as instrumental in reducing

role ambiguity" (p. 436). Therefore, when used appropriately, these leader behaviors will assist followers in clarifying expectations and identifying what behaviors are acceptable and unacceptable on the job.

In addition to the direct effects that contingent rewards and punishments have on employees' perceptions of role clarity, there are also important vicarious effects on coworkers who witness the administration of rewards and punishments. Contingent rewards and punishments not only help clarify the roles of individuals to whom they are administered, but they also send a strong signal regarding (in)appropriate behaviors to other followers who witness or hear about their administration. However, it is important to note that these positive vicarious effects are not likely to result when rewards and punishments are administered noncontingently; indeed, rewards and punishments that are administered to employees who do not deserve them confuse employees and create ambiguity regarding their leader's expectations. Therefore, when using rewards and punishments to clarify followers' roles, it is important for leaders to administer positive and negative feedback contingent upon employee performance.

4.2. Perceptions of fairness

Leaders who exhibit contingent reward and punishment behaviors would be expected to enhance employee perceptions that the outcomes they receive are fair (Ball, Trevino, & Sims, 1992). Indeed, a substantial amount of research supports the notion that contingent rewards are positively related to employee perceptions of distributive justice (i.e., the outcomes they receive are fair), procedural justice (i.e., the procedures that determine how the outcomes are administered are fair), and interactional justice (i.e., the treatment they receive from supervisors is fair), whereas noncontingent forms of punishment have opposite effects on these perceptions. This is important because justice researchers have shown that employee perceptions of workplace fairness are positively related to employee job satisfaction, task performance, and citizenship behaviors (Colquitt, Conlon, Wesson, Porter, & Ng, 2001). In addition, researchers have also found that employees who perceive their workplaces to be fair are less likely to express intentions to leave the organization. Therefore, by increasing employee perceptions of fairness through the administration of contingent rewards and punishments, leaders are more likely to enhance positive employee attitudes, performance, and the retention of talent.

4.3. Job satisfaction

Employees who receive contingent rewards and/or punishments also tend to feel more satisfied with their jobs. It is not necessarily surprising that individuals who receive rewards in the workplace are more satisfied with their work, but some managers may find it surprising that leaders who administer contingent *punishment* also tend to have more satisfied employees. This may be the case for several reasons. First, as indicated above, employees may experience higher levels of job satisfaction because contingent punishment helps clarify what is expected of them in the organization. In addition, research tends to show that people believe that individuals should get what they deserve in life (Carlsmith, Darley, & Robinson, 2002), and that they tend to be more satisfied when others receive punishment that is contingent upon low performance or unacceptable behaviors. However, regardless of the reasons why contingent punishment is positively related to employee satisfaction, it is important to note that employees who are more satisfied tend to exhibit more citizenship behaviors (Podsakoff, MacKenzie, Paine, & Bachrach, 2000) and fewer withdrawal behaviors, such as absenteeism and turnover (Podsakoff, LePine, & LePine, 2007). Therefore, the fact that leader contingent reward and punishment behaviors have relatively strong effects on employee satisfaction is important.

4.4. Trust in one's leader

Leader reward and punishment behaviors also affect the trust that employees place in their leaders. Specifically, research indicates that followers express more trust in leaders who administer contingent rewards and punishments than in those leaders who do not. In contrast, noncontingent punishment behavior has been found to have strong negative effects on employees' trust in their leaders. These findings are important for several reasons. First, trustworthiness is a primary component of what makes up a leader's credibility, which is critical to determining his or her effectiveness. Indeed, in their book entitled *The Leadership Challenge*, Kouzes and Posner (2007, p. 37) conclude that "credibility is the foundation of leadership." They argue that the trust followers place in their leader is an indicator of the leader's ability to influence followers' attitudes and perceptions. In support of this argument, these authors report that employees who perceive their immediate manager to have credibility are more likely to exhibit pride regarding their membership in the organization, express a

strong sense of team spirit, attach their own values to those of the organization, feel connected and committed to the organization, and perceive that they have ownership in the organization. In contrast, Kouzes and Posner (2003) found that employees who perceive their immediate supervisors to lack credibility are more likely to require close supervision to be productive, privately criticize the organization, feel that money is their primary motivator, look for another job if the organization faces problems, and feel underappreciated.

Second, studies have shown that followers' trust in their leader is directly related to the performance of individuals and organizations. For example, in their review of this literature, Colquitt, Scott, and LePine (2007) reported that employee trust was positively related to employee task performance and citizenship behaviors, and negatively related to employee counterproductive work behaviors such as tardiness and absenteeism. Additionally, recent research conducted by Salamon and Robinson (2008) in a retail store chain indicated that employees' collective trust in management was related to both sales and customer service quality. Therefore, these studies indicate that trust in one's leader has an impact on both individual employee and unit-level performance. Moreover, when taken together with the findings reported by Podsakoff et al. (2006), they suggest that contingent reward and punishment behaviors are crucial for developing trust from followers and encouraging the performance outcomes that leaders desire.

4.5. Perceived organizational support

Although there is little research on the relationship between reward and punishment behaviors and employee perceptions of organizational support (POS), there are good reasons to believe they are related. Because POS is defined as an "employee's perception concerning the extent to which the organization values their contribution and cares about their well-being," (Eisenberger, Huntington, Hutchison, & Sowa, 1986, p. 501) and managers are often perceived as direct representatives of their organizations, we expect leaders who use contingent rewards to foster higher levels of POS than those who do not. Thus, when leaders provide praise and/or other rewards to those who deserve them, it is likely that employees will view these actions as directly representative of the value that the organization places on their contributions. This is important because evidence from numerous studies (e.g., Rhoades & Eisenberger, 2002) indicates that POS is positively related to employee satisfaction, task

performance, and OCBs, and is negatively related to turnover. Therefore, fostering employees' sense of support from the organization through the administration of contingent reward and punishment may have the benefit of helping employees work more effectively, go the extra mile for the company, and increase their likelihood of staying with the organization.

4.6. Organizational commitment

It is also expected that employees will be more committed to organizations in which leaders provide contingent rewards and punishments, because followers believe that leaders in such organizations are more fair and/or credible, perceive that their jobs are more satisfying, and/or feel that they receive more support from their organization. Indeed, the review reported by Podsakoff et al. (2006) indicates that contingent reward and punishment are positively related to employee perceptions of organizational commitment; noncontingent punishment has a negative relationship, and noncontingent rewards had negligible effect on this criterion. This is important because employee commitment has been shown to be positively related to employee job satisfaction, task performance, and retention (Mathieu & Zajac, 1990). Therefore, consistent with the effects described for POS, leader contingent rewards and punishments enhance employee commitment to the organization, and these heightened levels of commitment tend to result in more satisfied, more effective workers who tend to stay with their organizations.

5. Dispelling some misconceptions about leader reward and punishment behavior

As discussed, the effects of rewards and punishments on employee performance may operate through several attitudinal and perceptual mechanisms. Although we treated each of these mechanisms separately, it is obvious that many of them are related to each other and that several of them may be operating at the same time for any given employee. However, despite the substantial amount of research attesting to the positive effects of leader contingent reward and punishment behaviors, our own experiences suggest that some managers still hold beliefs to the contrary. Therefore, we will now touch upon ten common misconceptions we've found managers to have regarding these behaviors.

5.1. Misconception 1: Transformational leadership is more effective than transactional leadership, particularly in times of organizational change

Although transformational and visionary forms of leadership have received a lion's share of the attention during the past two decades, researchers and practitioners generally agree that both transactional and transformational forms of leadership are necessary to be truly effective (Waldman, Bass, & Yammarino, 1990). In other words, effective leaders not only articulate their vision, inspire their followers, and facilitate positive change in employees, but they also administer rewards and discipline in an effectual manner. Therefore, this misconception would seem to overstate the effects of transformational versus transactional leadership.

Of course, some might argue that transformational leader behaviors are more important than leader reward and punishment when organizations are trying to implement change. Although studies do indicate that transformational leaders can help facilitate positive change in organizations, research also suggests that the administration of contingent rewards can decrease the amount of cynicism that employees feel about organizational change. Leader reward behavior helps foster enhanced feelings of trust from employees, and such trust is necessary if leaders want to effectively enact changes in their organizations. In addition, Gostick and Elton (2007) have noted that recognition "is a universal translator that can convert high-level goals into clear everyday activities that employees can easily get behind and move forward" (p. 44). Therefore, although transformational leader behaviors are clearly important for implementing organizational change, leaders must develop trust from their followers to accomplish this, and the effective use of contingent rewards and punishments will aid in this process.

5.2. Misconception 2: To be effective, leaders should provide rewards to all employees

Given the positive effects that rewards have on employees, some leaders may believe that simply administering more rewards is the key to their success. Although we are not against providing more positive feedback to employees, the important thing to remember is that, to be effective, this feedback must be administered to employees or teams who deserve it and withheld from those who do not. In fact, rewards that are not contingent upon performance or desired behaviors may actually

decrease employees' motivation, satisfaction, and performance.

Managers should also be aware that even when rewards are administered contingent upon a specific employee behavior, the desired results may not always occur. In his classic article, "On the folly of rewarding A, while hoping for B," Steve Kerr (1975, 1995) extolled the power of reward systems, but concluded that many are "fouled up in that behaviors which are rewarded are those which the rewarder is trying to *discourage*, while the behavior he desires is not being rewarded at all" (p. 769). In an illustrative example of this phenomenon in orphanages, Kerr notes that "if the primary goal is to place children in good homes, then the rules ought to constitute means toward the goal" (p. 772). Unfortunately, he notes that the reward systems for these agencies typically include budgets based on the number of children housed in the orphanage, staff sizes that are commensurate with the number of enrolled children, and orphanage prestige that is tied to organizational size. Therefore, leaders in these organizations may receive rewards that are inconsistent with the goals of the organization itself. Unfortunately, these problems extend well beyond any one type of organization, and research suggests that the folly Kerr identified still remains a serious problem in corporate America.

Kerr (1975) identifies several common reward failures that may occur in any organization, including hoping for long-term growth, but rewarding quarterly earnings; hoping for teamwork and collaboration, but rewarding individual effort and performance; and hoping for quality, but rewarding speed-to-market. Thus, we believe managers should recognize that simply giving more rewards will not necessarily be effective at motivating employees. Rather, it is how, to whom, and for which behaviors the rewards are administered that is important.

5.3. Misconception 3: Punishment doesn't work in organizational settings

There is a substantial amount of evidence which suggests that most people are reluctant to provide negative feedback to others (Rosen & Tesser, 1970). This is unfortunate, since the evidence we reviewed earlier implies that linking discipline to poor performance or unwanted behaviors can actually improve group performance, decrease undesired behaviors, and increase employee satisfaction. Discipline is an important form of leader behavior that provides followers with a clear signal regarding what is unacceptable. In contrast, it is important to recognize that employees who deserve, but do not receive, punishment provide a different type

of example to coworkers; that is, if you exhibit these types of behaviors, you will not be disciplined. This is a dangerous signal that is likely to encourage the same types of behaviors leaders want followers to refrain from exhibiting.

Finally, we think many managers avoid using discipline because of the negative effects it may have on the emotions and attitudes of employees. To counteract potential negative feelings that may be associated with punishments, we recommend that leaders clarify or explain the reasons behind the punishment they administer to employees. Indeed, research in the justice literature (Shaw, Wild, & Colquitt, 2003) indicates that individuals are generally more likely to perceive their workplace as fair and less likely to exhibit retaliatory responses to negative outcomes when these outcomes are accompanied by explanations from organizational representatives. Consistent with these findings, we recommend that leaders clarify the negative feedback they administer by identifying the *behaviors* that are being punished and clearly specifying what the employee should do to avoid punishment in the future.

5.4. Misconception 4: Leaders should always "reward publically, punish privately"

This maxim has long been used to remind managers how rewards and punishments should be administered in organizations. Although we agree that rewards can have strong, positive effects on those witnessing their administration, we do not necessarily agree that punishments should *only* be distributed in private settings. Negative feedback or constructive criticism can often be used in social settings as a learning experience for coworkers or other team members. For example, if a common error is made in manufacturing or service delivery, it is important that all workers in a unit understand the problem, the consequences if the error occurs, and the potential remedies. In other cases, where employees are wronged by a coworker, it is important to show that the organization engages in fair procedures and the offender has been appropriately punished. Most importantly, leaders must recognize that "public punishment" does not mean "public humiliation." Degrading or belittling followers in the presence of others is likely to create animosity toward the manager and promote a culture of fear. Instead, punishment should focus on the unwanted behavior and not the person who exhibited it. When done correctly, and in moderation, punishment administered in front of others can be an effective and efficient teaching tool for leaders to employ.

5.5. Misconception 5: Positive feedback is always better than negative feedback

Related to the preceding misconception, some managers refuse to employ discipline because they believe that positive feedback can always be used in its place, and is always more effective. Although research indicates that positive feedback generally has more functional effects on employees than does negative feedback, these findings are primarily dependent on how rewards or punishments are administered. Specifically, when rewards are not linked to performance, they have little or no positive effect on employee attitudes or behaviors. On the other hand, leaders who administer punishments to employees who exhibit poor or declining performance can have a positive effect on the target of the discipline and other individuals who observe the punitive event. Therefore, as we have noted, it is important to link rewards and punishments to their intended behaviors if they are to be effective.

It is also important to note that, in some cases, it will be virtually impossible to use rewards to change undesirable behaviors in the workplace. For example, it is hard to imagine an effective form of recognition or reward that could be given to an employee who has engaged in the sexual harassment of a coworker or customer, performed unethical accounting practices, discriminated against job applicants, or repeatedly violated safety regulations. These types of actions require potentially severe forms of discipline from a leader. It is vital that leaders recognize that employee behavior may limit the effectiveness of recognition they would administer. In these cases, discipline will be necessary to decrease behaviors and reestablish group norms.

5.6. Misconception 6: I already provide enough recognition and praise to employees

Although this statement may be true for a very select number of leaders, research suggests that it is not accurate for the vast majority of leaders in organizations. Indeed, a recent Gallup poll (Rath, 2004) reported that approximately 65% of American workers received no praise or recognition in their workplace over the course of an entire year. In contrast, when surveyed, many leaders believe that they are providing enough recognition to their followers (Gostick & Elton, 2007). Thus, we agree with the recommendations of several practitioners—including Gostick and Elton (2007), and Nelson (1994)—who argue that leaders should be encouraged to provide more frequent, specific, and personal/contingent recognition to employees.

5.7. Misconception 7: Rewarding employees will decrease their intrinsic motivation to perform

Some researchers have argued that providing monetary rewards for the completion of tasks will decrease an employee's motivation to complete work. In essence, extrinsic rewards like money are expected to undermine work experiences that employees once thought to be enjoyable and motivating (Deci, 1971) by focusing their attention on the economic value of their activities or output. Deci, Koestner, and Ryan (1999) provide meta-analytic evidence which supports the notion that monetary incentives can decrease individuals' intrinsic motivation to complete tasks. However, it is important to recognize that these same authors report that non-monetary forms of rewards—such as providing positive feedback—have the opposite effect, and actually increase individuals' intrinsic motivation to complete tasks. From our perspective, these findings are completely consistent with the statements made in this article. Indeed, the research we have reviewed indicates that leaders who provide employees with praise, recognition, or positive feedback will not decrease employee motivation to complete work, but rather will make tasks more enjoyable and motivating to followers.

5.8. Misconception 8: In an increasingly competitive marketplace, organizations don't have the resources to provide meaningful rewards to employees

Many managers believe that the size or price of a reward is directly related to the effect it will have on employee motivation. These managers often argue that tight budgets and a lack of resources prevent them from administering effective rewards to employees. Such thinking is misguided for several reasons. First, although most employees would respond to large pay raises, all expenses-paid vacations, and/or other expensive rewards, the majority of workers indicate that something as simple as a pat on the back represents a meaningful incentive (Nelson, 1994). Moreover, there are several no-cost or low-cost methods of providing recognition to employees. In his book, *1001 Ways to Reward Employees*, consultant Bob Nelson (1994) identifies personalized thank you cards, emails from a direct manager or CEO, or the naming of rooms or work sites in honor of exemplary employees as examples of inexpensive but effective forms of recognition employed by organizations. Gostick and Elton (2007) also provide dozens of examples of such rewards. Suggestions from these sources indicate that managers are not

constrained by budgetary concerns, but rather only by their own imagination. It is critical to note, though, that inexpensive gifts must be thoughtful and personalized; otherwise, the leader will appear cheap and inconsiderate. (Too many employees can recall an awards ceremony where a manager or CEO mispronounced the recipient's name, or is unfamiliar with the actions that led to the recognition.) In sum, leaders can look to these sources for examples, but they must personalize their choices. If they don't, the rewards they offer are likely to be ineffective regarding—or perhaps even detrimental to—employee motivation and productivity.

Finally, we believe that it is important for leaders to understand that by not administering contingent rewards, their organizations may actually be *losing* potential resources. Several recent studies have shown a strong link between employee recognition systems and organizational success. For example, a study surveying 26,000 employees in 31 healthcare organizations found that companies in the top quartile of employee responses to the item "My organization recognizes excellence" outperformed companies in the bottom quartile on this response in their return on equity, return on assets, and operating margin by a factor of at least three-to-one (Gostick & Elton, 2007). In another study, Welbourne and Andrews (1996) reported that for 136 companies which engaged in an IPO, those that emphasized the use of employee rewards had over a 40% higher likelihood of survival 5 years later than did companies which did not emphasize employee rewards. Therefore, to managers who believe they can't afford to reward employees, we argue that, in reality, they can't afford *not to*: the success and viability of their organization is likely to depend on it.

5.9. Misconception 9: Providing recognition or praise is not part of a manager's job; salary is compensation enough, particularly for "professionals"

A comment that we sometimes hear from managers is that they do not feel it is necessary to provide recognition or praise because "employees are already paid to work." We believe this is a very limited view of a manager's job duties, and one that does not reflect the expectations of employees. Indeed, employees indicate that effective managers provide more feedback—and more specific feedback—than ineffective managers. If managers believe that employees are paid to perform, we argue they should also recognize that employees think managers are paid to "provide recognition and praise"—or, at least, that is what effective ones will do.

We have also heard some managers of white-collar workers argue that recognition and praise is not necessary for their subordinates because they are "professionals," and their salaries will make them assume more responsibility than blue-collar workers. However, we are not aware of any evidence indicating that white-collar or professional workers expect or desire praise or recognition any less than do blue-collar or line employees. In fact, some managers may argue that the recognition and praise of professionals is more important, as they have more potential to impact the organization's strategic vision, its goals, and its bottom line.

5.10. Misconception 10: Annual performance reviews provide adequate recognition or discipline

Some managers are effective at recognizing exemplary employee performance or deficiencies, but only during the annual performance review. This is an inadequate manner in which to provide either rewards or punishments. If rewards and punishments are to be effective, they must be administered in a timely fashion. Unfortunately, organizations do not typically do a good job of linking employee actions to rewards; the average lag between performance and promotions, for example, may exceed 6 months (Hall, Posner, & Harder, 1989).

Employee recognition should be given regularly, as appropriate. Managers should not feel constrained by formal reward systems or time frames; if they wait until annual or semi-annual reviews to reinforce employees' behavior, they cannot realistically expect employees to perceive the linkage between their actions and the feedback they receive months later. Indeed, employees tend to view no feedback as equivalent to negative feedback. Effective leaders will give feedback, when appropriate and as often as necessary.

6. Some rules for effectively administering positive and negative feedback

Throughout this article, we have provided several general suggestions for the administration of positive and negative feedback. We now summarize six key recommendations that relate to this administration.

6.1. Recommendation #1: Administer rewards and punishments contingently

Rewards, recognition, and positive feedback should be linked to—or, made contingent upon—high or

improving levels of employees' performance and/or the performance of specific desirable behaviors. In contrast, discipline, punishment, or negative feedback should be linked to—or, made contingent upon—low or declining levels of employees' performance and/or undesirable behaviors. Contingent forms of these leader behaviors are much more effective than noncontingent forms.

6.2. Recommendation #2: Specify the reasons for rewards and punishments

Recognition, praise, and rewards should focus on the specific behaviors or outcomes that are desirable. Do not overemphasize the individual qualities of the person or be too general in your explanation of why an employee receives a reward. This is likely to create ambiguity in followers' perceptions of what a leader expects of them. Similarly, discipline or negative feedback should focus on the specific behaviors or outcomes that are undesirable. Leaders should focus on the behavior, not the person or individual characteristics. Focusing on personal traits is likely to create animosity and perceptions of favoritism among employees.

6.3. Recommendation #3: Personalize rewards and punishments

Show that you truly appreciate specific behaviors or outcomes by providing employees with rewards or recognition they deserve. This requires a leader to get to know employees and find out what they value. In addition, although most employees will appreciate public recognition, some may find this uncomfortable. Discipline or negative feedback should also be personalized so that it deters unwanted behaviors. This will also require a leader to identify what employees value. Finally, although public humiliation is almost always a bad idea when punishing in organizations, administering negative feedback in a group setting so that other employees can learn from the mistakes of a coworker can be an effective and efficient way of communicating expectations, and reducing errors and undesired behaviors.

6.4. Recommendation #4: Provide timely recognition and discipline

The administration of recognition should closely follow an employee's performance of the desired behavior. Similarly, the administration of discipline should also follow—as closely as possible—the employee's performance of the undesired behavior. In other words, the delay between the desired or undesired behavior and the positive or negative

feedback, respectively, should be relatively short. Employees will tend to perceive stronger links between their behaviors and potential consequences, the shorter the delay.

6.5. Recommendation #5: Match the magnitude of the reward or punishment to the behavior

Leaders should match the amount or magnitude of the feedback—positive or negative—given to employees to the level of performance or magnitude of the behaviors exhibited by the employee. For example, small forms of recognition or praise might be administered to employees for accomplishing tasks or completing assignments, but significant accomplishments such as the successful completion of a long-term project or the implementation of a technique that saves the company thousands of dollars should be accompanied by appropriately large rewards. If the size of the reward does not match the accomplishment, it is likely the behavior will not be reinforced and the leader may be perceived as unsupportive or unfair. In contrast, leaders who constantly provide severe punishments for the smallest of infractions will be seen as authoritarians or micro-managers.

6.6. Recommendation #6: Administer rewards and punishments consistently

Generally speaking, leaders should administer rewards and punishments consistently across employees (e.g., all individuals exhibiting a specific behavior should be rewarded or punished) and time (e.g., if policies, goals, or quotas remain relatively consistent, rewards administered to employees in the beginning of a business quarter should also be administered at the end of a business quarter), and within categories of behaviors or types of performance (e.g., two individuals exhibiting the same behaviors should receive approximately the same rewards or punishments). Leaders who are consistent in their administration of recognition and discipline are more likely to be perceived as fair and less likely to be viewed as exhibiting favoritism.

7. The importance of transactional leadership

One of the unfortunate consequences of the increased interest in transformational, charismatic, and visionary forms of leadership is that leader reward and punishment behaviors have often been overlooked. This is unfortunate because decades

of empirical research, interviews with managers, employee surveys, and focus groups indicate that these forms of leader behaviors can be very effective at establishing a leader's credibility, gaining trust from employees, stimulating high levels of performance, and getting employees to go above and beyond their roles for their organizations. We hope that this article has helped dispel some of the misconceptions surrounding leader reward and punishment behavior, and that leaders can use our suggestions to more effectively administer recognition and discipline in their organizations.

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