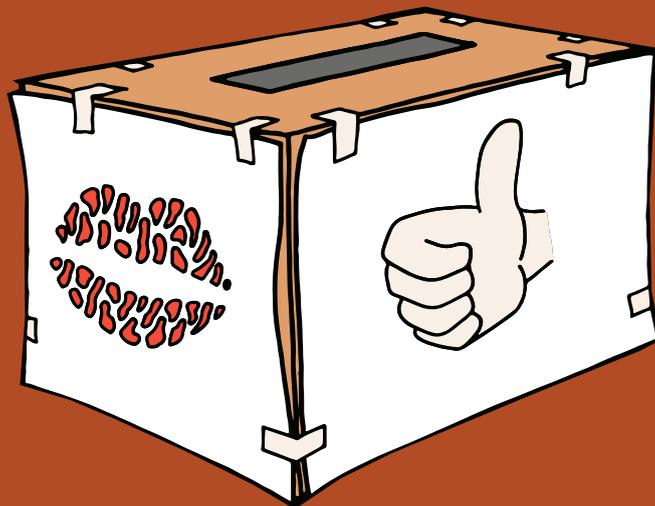


KUDO BOX & KUDO CARDS



MANAGEMENT30.COM/KUDO-BOX
MANAGEMENT30.COM/KUDO-CARDS

Management 3.0 Workout © 2014 Jurgen Appelo



Anything that has
real and lasting value
is always a gift from
within.

Franz Kafka,
Austro-Hungarian author
(1883–1924)

There are many wrong ways to reward employees. A simple but effective approach is to install a kudo box, which enables people to give each other a small reward. The kudo box fulfills the six rules for rewards, and works much better than bonuses and other forms of financial motivation.

It may come as a shock to many to learn that a large and growing body of evidence suggests that in many circumstances, paying for results can actually make people perform badly, and that the more you pay, the worse they perform.

Fleming, “The Bonus Myth”

In 2001, Enron, an American energy and services company, collapsed into bankruptcy because its managers liked their bonuses more than they liked the truth. They incentivized themselves to maximize their own paychecks, not the success of the organization. Similar creative financial practices occurred at Parmalat, WorldCom, Bernard L. Madoff, AIG, Barings, and many other companies. Corporate history is littered with the remains of organizations that allowed individual greed and egos to outgrow the solvency of the company. And bonus systems are still implemented all around the world “to incentivize performance”, despite the fact that experts have known for decades that there’s no proven correlation between bonuses and performance. [Fleming, “The Bonus Myth”]

Indeed, excessive greed might be the biggest problem in free markets. Bankers in the United States and Europe have been so focused on their personal results that they collectively plunged the world into one of the deepest recessions we have ever seen. [Buchanan, “Banking Cheats”]

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in free markets.

Extrinsic Motivation

Extrinsic motivation is defined as behavior that is driven by external rewards (given by others), such as money, grades, and praise. Rewards are among the trickiest and least understood tools in management. When applied in the right way they can generate significant results. Unfortunately, a common assumption among managers is that nothing works like money when you want to make people work harder, longer, or more effectively. Also, it is often assumed that extrinsic motivation works quite well when implemented as a financial bonus. 🌈 These assumptions are both wrong.

Money is as important to knowledge workers as to anybody else, but they do not accept it as the ultimate yardstick, nor do they consider money as a substitute for professional performance and achievement. In sharp contrast to yesterday's workers, to whom a job was first of all a living, most knowledge workers see their job as a life.

Drucker, *Management* pag:42

Scientific research has revealed that incentives for performance actually work the other way around. [Kohn, *Punished by Rewards*] The anticipation of a reward (either money or something else) works counterproductively, since it kills people's intrinsic motivation. The

incentives ensure that people stop doing things just for the joy of the work. It is called the **overjustification effect**. [Kohn, *Punished by Rewards* pag:320] Instead of expecting and feeling enjoyment, people expect a reward.

Incentives ensure
that people stop doing things
just for the joy of the work.

Another problem is that rewards based on outcomes increase the risk of cheating, since people's focus is on getting a reward instead of doing a good job. When you reward employees based on outcome, they will take the shortest path to that outcome. [Fleming, "The Bonus Myth"] Bad behaviors with dysfunctional side-effects undermine the organization's performance, while the employees walk away with a bonus or with their colleagues' pension fund.

Extrinsic motivation, with big incentives based on outcomes, is like a hot air balloon with a basket of gold. It's expensive, and it's hard to make it fly.

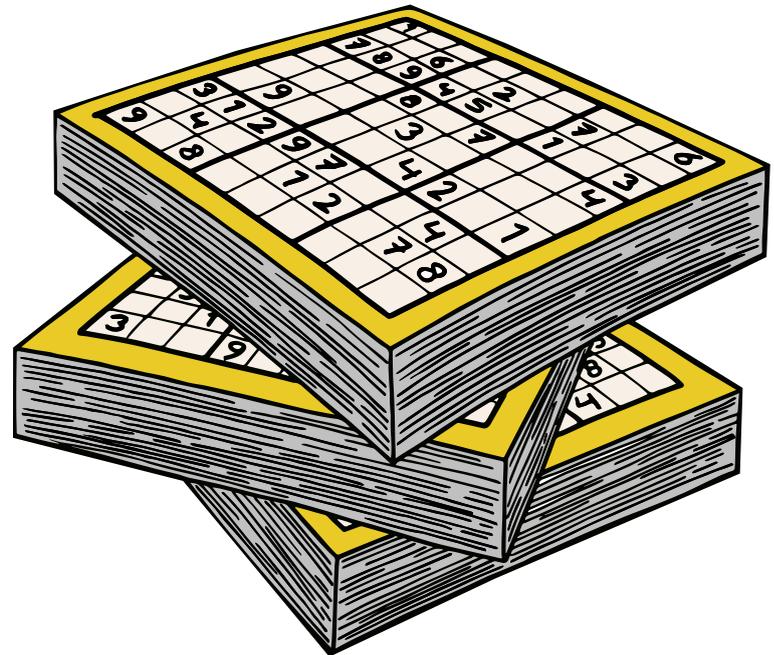


Intrinsic Motivation

Fortunately, there is some good news as well. Rewards that trigger **intrinsic motivation** are more effective, more sustainable, and usually cost less money. 📖 Intrinsic motivation is defined as behavior that is triggered from within a person. In other words, the person is rewarding herself.

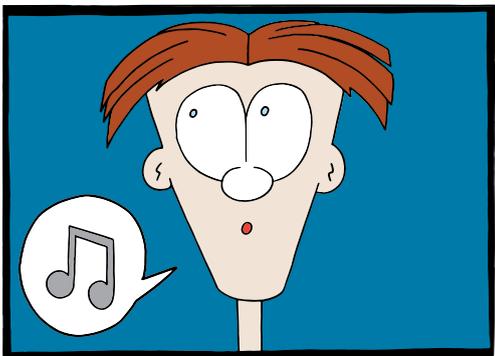
Influence masters first ensure that vital behaviors connect to intrinsic satisfaction. Next, they line up social support. They double check both of these areas before they finally choose extrinsic rewards to motivate behavior.

Patterson, *Influencer* pag:194



Rewards can work *for* your organization, and not *against* it, when you take the following six rules into account:

Don't promise rewards in advance.



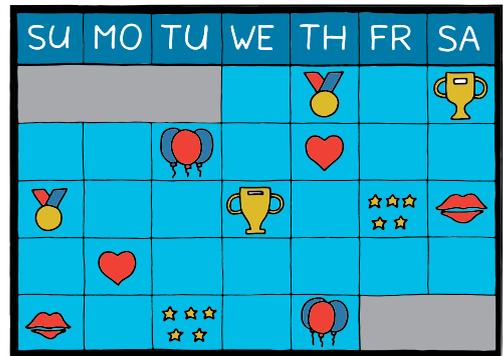
Give rewards at unexpected times so that people don't change their intentions and focus on the reward. Research shows that, when acknowledgement of good work comes as a surprise, intrinsic motivation will not be undermined. [Pink, *Drive* loc:524]

Keep anticipated rewards small.



Sometimes, you cannot prevent people from anticipating a potential reward. In such cases, according to research, big rewards are likely to *decrease* performance. But with small rewards, the risk of hurting performance is negligible. [Fleming, "The Bonus Myth"]

Reward continuously, not once.



Do not look for something to celebrate just once per month or once per year. Every day can be a day to celebrate something. Every day is an opportunity for a reward. [McCrimmon, "Celebrating Success"]



These six rules for rewards give you the best chance at increasing people's performance and their enjoyment of work, while *encouraging* intrinsic motivation instead of *destroying* it. Notice that an incidental compliment addressed to a colleague in a

meeting for a job well done, satisfies almost all six criteria. A well-aimed kiss, blown carefully across a conference table, can also do wonders, I've noticed. (Just kidding!) It's not that difficult to implement rewards well.

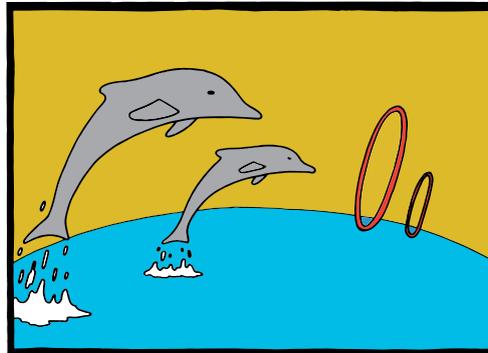
Reward publicly, not privately.



Everyone should understand what is being rewarded and why. The goal of giving rewards is to acknowledge good practices and have people enjoy the work too. To achieve this, a regular public reminder works better than a private one. [Alberg, "How to Celebrate Success"]

4

Reward behavior, not outcome.



Outcomes can often be achieved through shortcuts while behavior is about hard work and effort. When you focus on good behavior, people learn how to behave. When you focus on desired outcomes, people may learn how to cheat. [Fleming, "The Bonus Myth"]

5

Reward peers, not subordinates.



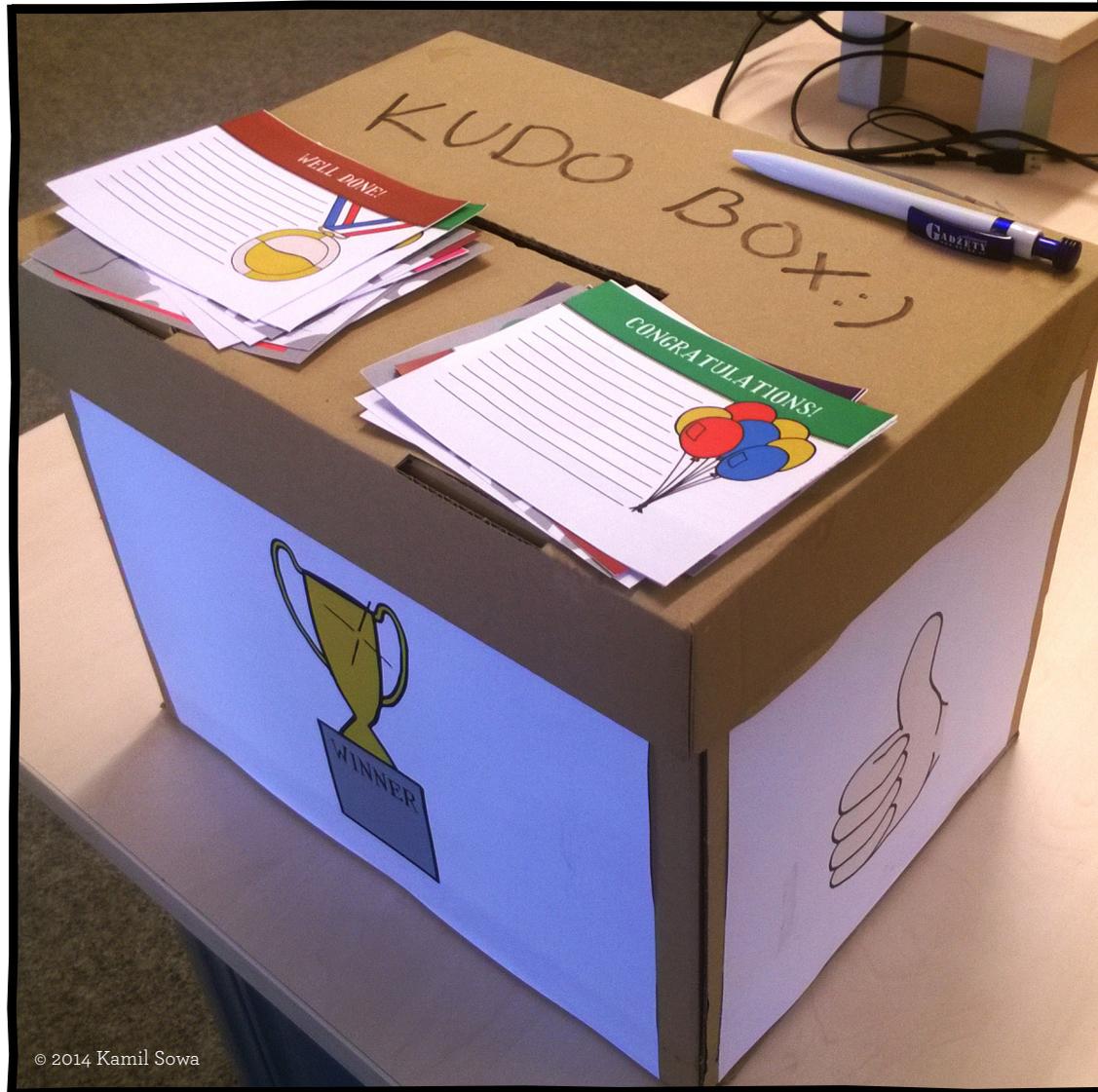
Rewards should not come just from the manager. Create an environment in which people reward each other because peers often know better than managers which of their colleagues deserve a compliment. [Tynan, "Reward Employees"]

6

Kudos

Money is only advised as a reward when you need to motivate people to do an uninteresting or repetitive job. [Pink, *Drive* loc:2523] And even in the case of creative work it's OK for rewards to cost a little bit of money, as long as you don't overdo it.

In one of my workshops, Paul Klipp, former president at Lunar Logic Polska in Poland, told me how he created a reward system. [Klipp, "How and Why You Should Build a Secret Spy Network"] He explained that his employees could give anyone a gift worth 20 euro. They called it **kudos** and it could be implemented as an email to a central mailbox, or by slipping a note into a cardboard box. 📧 The management team never questioned why someone was rewarded. When anybody in the company felt someone deserved a reward, she received it. Paul would personally bring a handwritten kudo note and a tray of gifts from which the receiver could pick one item. And everyone would hear about it on Facebook and on the internal chat system. Paul told me these gifts worked extremely well, and he loved the fact that all employees were involved in recognizing people doing good things. It was a low-cost reward system, and trust was never abused.



but,
kudo
is not a word!

Some readers have suggested that kudos is a singular word and therefore using the word kudo is wrong. But kudo is simply a back-formation from the Greek kydos, meaning ‘glory’ or ‘fame’, which is misunderstood as being plural. The words kudo and kudos were introduced into the English language in the previous century. Sure, the singular and plural forms began as a misunderstanding, but the same applies to many other words we now take for granted.

A similar system was implemented by Philip Rosedale, former CEO of Linden Lab. Linden Lab are the creators of the virtual reality platform Second Life. Rosedale called it the **LoveMachine**. [Markowitz, “Make Employees Happy”] It was a tool that enabled employees to send notes of appreciation to their colleagues. According to Rosedale, recognizing each other’s hard work makes everyone feel great. And because everything is transparent, managers gained useful insight into which people were appreciated often and which people never received a compliment.

There are many other names in use for the same system. For example, at Zappos they call them **HERO awards**. [Pascual, “Four Peer-to-Peer Ways Zappos Employees Reward Each Other”] But no matter what you call it, a public system that enables people to give each other small unexpected tokens of appreciation for doing a good job meets all six basic principles of good rewards. A gift attached to the compliment is of course optional. It is the intention that counts. However, experience suggests that a tangible gift helps a compliment to have a bigger impact on the receiver. The gift enables the person to touch, hold, and cherish the compliment. And that has value too.



should the **kudos** be anonymous? Should they be private?

I remember one occasion when I received a nice message from someone anonymously. Even now, after twenty years, it still bothers me not knowing who gave me that compliment.

Maybe you are different. Maybe you love the mystery of giving or receiving an anonymous reward. My advice here is simply to leave this decision to the givers and receivers in the company. They can decide best, given the context of the compliment and the culture of the organization, whether they want the identity of the giver to be known or not.

Whether kudos should be given publicly or privately is also a matter for discussion. The generic rule says that public rewards *usually* work better to improve an organization's culture. Some people, however, shy away from public praise. Again, it is best to investigate your organization's culture and people's preferences to see what works best for you and them.

THANK YOU!

Thanks for stepping forward
at the end of
the open space
session at
#ale 2012

Jurgen

29 August 2012



But What If...?

I noticed there is always somebody who asks, “What if?”

“What if our workers don’t play fair?”

“What if two people abuse the kudo box system to get free movie tickets?”

“What if someone just wants to gain the boss’s favor with a kudo card?”

To these questions I have just one reply: “What if you see such risks because you have a low level of trust in others? What if this low level of trust is a result of your company’s culture? What if the kudo box is exactly the kind of practice that is needed to *change* this culture of distrust in a relatively harmless way?” Yes, there is always a risk that unexpected behaviors will occur. When I give away free books at a conference, some people might use them as paper weights or door stops. Should this hold me back from doing a good thing?

When cheating *does* occur, it is probably best to let this behavior emerge and evolve naturally, in a transparent way, so others can respond. Let the community decide what to do about cheating. Try not to delegate such matters to management, because management is like government. When you expect team members to reward *good* behaviors and you prefer that management deals with *bad* behaviors, you increase the gap between managers and non-managers. This gap makes the organization’s culture worse, not better! In the end, everyone will be gaming the system, and management will have a full-time job making rules for “proper” rewards, creating elaborate forms for rewards, and depleting the rewards budget for their own benefit. We all know how governments work. :-)

Let the community decide
what to do about cheating.

Another question I sometimes get is, “What if people *expect* to be rewarded? When one person gets a compliment for doing X, his colleagues might then also expect to get a reward for doing X. Ultimately, everyone will feel entitled to a reward for doing the same thing.”

I understand the problem. Most workers have a good sense of fairness. When they give a reward to one colleague, they might feel bad about not giving a reward to another who has done the same good thing. And before you know it, you have a situation where everyone automatically gets a reward for doing X. Obviously, this should be prevented.

The first rule for rewards says that they should come as a surprise. When people expect to be rewarded, the rewards system has gone off track. That’s why I suggest that you frequently emphasize that praise doesn’t work when it is required or demanded. You might also want to phrase your kudos in such a way that stresses the fact that this is the first time somebody did something or the unique nature of her contribution or the effort beyond expectation that she put into the job. That would make it less likely that the next person will expect praise for the same thing. After all, it wouldn’t be the first time, it wouldn’t be unique, and it wouldn’t be beyond expectation. Finally, some readers have asked me, “Shouldn’t we reward teams instead of individuals? Don’t we want people to work collaboratively, instead of going at it alone?”

Well, yes, of course. But teamwork can only emerge as an outcome of people's individual contributions to that team. If you give a person a reward, it could be *because* of what he did for the whole team. Obviously, sometimes it could be worth praising a whole team, a whole department, or even a whole organization. Quite often, however, people's individual contributions to the whole have to be recognized first, *before* the whole unit performs in a way that deserves praise as well.

The kudo box not only adheres to the six rules for rewards; it also satisfies the three principles for Management 3.0 practices: the rewards are handed out for improving the work and delighting clients, and they engage people through intrinsic motivation. And as a bonus, the practice helps you get rid of bonuses!

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to that team.

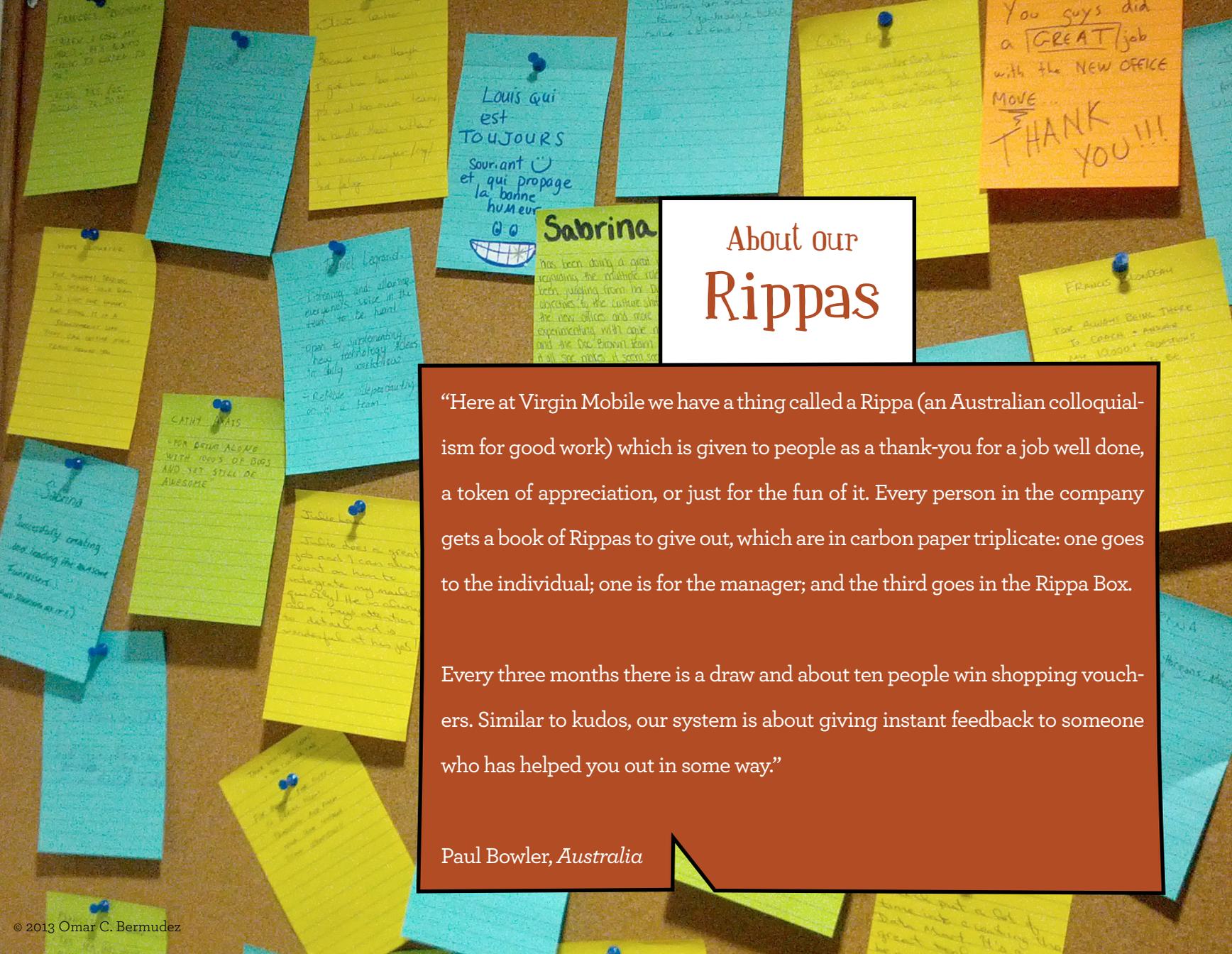
About our "shout out shoebox"

"Since the launch of our 'shout-out shoebox' at Brightside Group we have had nineteen cards put in the box, including a thank-you from one team to another. The whole team signed the card and it was proudly stuck up in the receiving team's area. Another great card was for a new starter who has been with us for just a few weeks but has impressed her team with her ability to 'hit the ground sprinting'. She was very touched with the gesture.

The manager, who was skeptical at first, has been surprised by the positive reaction to the scheme, and he now asked if the practice can be rolled out to his own teams. In fact someone has already left a card for one of his teams so it has already crossed over."

Gary Shepherd, *United Kingdom*





About our Rippas

“Here at Virgin Mobile we have a thing called a Rippa (an Australian colloquialism for good work) which is given to people as a thank-you for a job well done, a token of appreciation, or just for the fun of it. Every person in the company gets a book of Rippas to give out, which are in carbon paper triplicate: one goes to the individual; one is for the manager; and the third goes in the Rippa Box.

Every three months there is a draw and about ten people win shopping vouchers. Similar to kudos, our system is about giving instant feedback to someone who has helped you out in some way.”

Paul Bowler, *Australia*

CONGRATULATIONS!

GREAT

About our kudos experiment

“At my company we tried to improve some people’s attitude toward their work and coworkers. It had already taken many (hard and uncomfortable) talks to address the mood and cooperation in teams. The kudo box practice is a nice and simple way to support good relationships in teams. I convinced my superior to try a kudo box in one team for two months. After that we would evaluate and decide if we should implement it in other teams as well. I chose the team with the worst team communication, because I wanted to prove that all people can change and start collaborating.

Our work is not over yet, but I can report that the kudo box was really working for us, and after two months we gave one to every team. Nobody has abused the kudos yet, and we have already used it for almost a year!”

Janka Haderkova, *Slovakia*



About higher empathy

“I believe the kudo box is the simplest and most powerful practice for building mutual trust and motivation. There is only one condition to make it work: someone has to start!

I first heard about it from one of our leaders and I said, ‘OK, fine’ and then... did nothing. A few months later Jurgen visited us at Future Processing and he gave me a kudo card (with a nice message about his stay). That was the moment when it just “clicked” for me. Someone started and I have been using the practice ever since. So far, the results have been amazing. The only difference compared to using regular cards is that I

use the online tool (<http://kudobox.co>), create a virtual kudo card, and then email it to someone.

I have realized that I am now better focused on people’s contributions, that people love receiving kudo cards, and that it boosts empathy levels. I still remember the moment when I was sitting alone, and one team member came to me and said encouragingly, ‘Don’t worry. I know that we are a difficult team, but things will take a turn for the better.’ This happened one day after I had sent that person a kudo card.”

Paweł Pustelnik, *Poland*

What now?

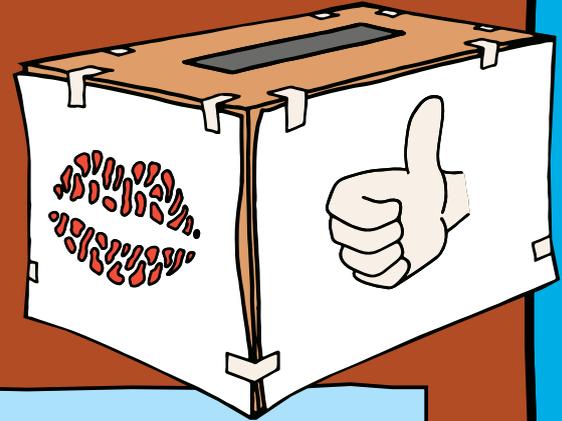
Now it is time for you to start implementing your own kudo box.

1. Secure commitment from management to spend a small sum each month on a new rewards system. If management is fearful of the costs, you can agree temporarily on a maximum amount which will be spent per month. (And make it available through a draw of winners.) If management doesn't cooperate (yet), simply introduce the system without the gifts.
2. Implement the practice at a high level, throughout either the whole company or the whole department. If this is not possible, experiment with one team, but aim to expand it as soon as the practice shows good results.
3. Create a central mailbox, or place a colorful cardboard box in a central location, and name it the "kudo box" or choose your own local terminology. Print kudo cards and posters to support the new initiative, and give someone responsibility for the kudo box.
4. Let everyone know that any employee is allowed to reward any other person with a small reward, by slipping a note or kudo card in the box. Tell them explicitly that you trust everyone not to abuse the system, or else.. the employees should self-organize and take action.
5. Define the upper limit of the value of the gifts, and give some useful examples (movie tickets, flowers, lunches, gift certificates, cash, copies of the Management 3.0 book, etc.). But allow people to be creative.
6. Check the box every day, and announce publicly who received a compliment and why. You might have to bootstrap the practice by handing out plenty of kudo cards yourself.

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Kudo Box



KUDOBBOX MY KUDOS LOGOUT

Your card is in the wild now, don't stop

SEND ANOTHER KUDO

Help your friends to be thankful

t f g+

Andrew,

Your new book is here and it's amazing - deep and thoughtful.

It opened to me a completely new side of the world I never thought about. Great stuff!

SHARE MY KUDO

A screenshot of the Kudobox website interface. The top navigation bar includes 'KUDOBBOX', 'MY KUDOS', and 'LOGOUT'. A pink banner with a blue and red striped border contains the text 'Your card is in the wild now, don't stop' and a red button labeled 'SEND ANOTHER KUDO'. Below this is the text 'Help your friends to be thankful' and social media icons for Twitter, Facebook, and Google+. The main content area shows a handwritten note on a notepad. The note is addressed to 'Andrew' and reads: 'Your new book is here and it's amazing - deep and thoughtful. It opened to me a completely new side of the world I never thought about. Great stuff!'. To the right of the text is an illustration of a bunch of colorful balloons (red, blue, yellow, green). At the bottom of the notepad is a red button labeled 'SHARE MY KUDO'.

Kudobox.co is the easiest way to share your appreciation with colleagues. Write your message and within seconds you have a beautiful kudo card to share on Twitter, your intranet, or anywhere else.

Works on desktop and mobile. Try it out now!

m30.me/kudobox

Kudo Cards

VERY HAPPY!

Саня, Резинка,

спасибо огромное за
очень позитивную
открытку с Бали. Она
сегодня помогла мне
пережить сегодняшний, не
очень простой день.

Сергея

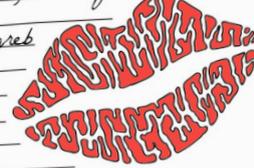


MANY THANKS!

Many thanks to Yana and her team at ST
Spring in Minsk, for organizing a great
event and making me feel very welcome.

Greetings from Zagreb

Turgen



THANK YOU!

@JuanmaBomek for your great work
supporting agile community and helping
each of us grow as better professional and
person. And thank
you for being
always handy to
help!



TOTALLY AWESOME!

Liebes T-Team, ihr seid
TOTALLY AWESOME!

Es ist Klasse, mit wieviel Elan und
Engagement ihr euch auf das
Abenteuer Scrum einlasst.

Danke dafür!



WINNER

GREAT JOB!

Parabens para a galera do Projeto
Implantando Marketing que manda
muito bem no contendo e
interacao com a galera!

Beijos

Priscila Stivani



Print your own kudo card! Down-
load the PDF file from the Man-
agement 3.0 website and use the
cards to surprise your colleagues!

m30.me/kudocards