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# Applied Social Exchange Theory in Social Recognition Program Design

**Social Exchange Theory (SET)** evolved in the 1950s from early 20th century behaviorism and reinforcement theory – the notion that ***people act in response to positive stimuli or to avoid negative stimuli.*** SET extends positive and negative stimuli to include social recognition (good and bad). It suggests that people will stay in relationships or with organizations if they believe the benefits (recognition and rewards) of doing so exceed the costs.

Social Exchange Theory is "viewed as one of the most influential theories for understanding behavior in the workplace" (Cropanzano and Mitchell, 2005; Tate, Lartey, and Randall, 2019; Homans, 1961). Hence, it is central to the efficacy of recognition, incentives and rewards programs. SET is typically leveraged in the workplace through non-cash social recognition programs where "coverage is pervasive and extends to a substantial majority of the firm's employees" (Long, Richard, J. and Shields, J.L. 2010).

It is worthwhile then, to examine related research from the past and present to find actionable insights that reward program designers can use internally or in advice to their clients on how to improve employee engagement, retention, and performance through the application of SET in social recognition programs. This may be especially important in the current pandemic-recovery context where many organizations struggle to return to productivity and satisfy burgeoning customer demand with fewer people, even while large numbers of employees expect to be able to work remotely and flexibly.

> **In worker motivation, 'social recognition' has deep research-based origins from behaviorism** (Skinner 1969; Bandura 1969; Stajkovic and Luthans 1997) **and in models of motivation** (Maslow 1943; Herzberg 1996; Cherrington 1991). **A large and growing body of empirical research supports the theory that social recognition has significant positive effects of employee performance** (Stajkovic and Luthans 1997, 2003).

| INSIGHTS & KEY TALKING POINTS | SOURCE |
|---|---|
| In the work context, Social Exchange Theory (SET) posits that people will go to significant efforts to win appreciation and approval from managers, peers, customers, and other stakeholders. | Homans, G. C. (1958). Social Behavior and Exchange. American Journal of Sociology, 63, 597-606. https://doi.org/10.1086/222355<br><br>Gouldner, A. W. (1960). The Norm of Reciprocity: A Preliminary Statement. American Sociological Review, 25, 161-178. https://doi.org/10.2307/2092623<br><br>Homans, G. C. (1961). Social Behavior: Its Elementary Forms. New York: Harcourt Brace Jovanovich.<br><br>Emerson, R. M. (1976). Social Exchange Theory. Annual Review of Sociology, 2, 335-362. https://doi.org/10.1146/annurev.so.02.080176.002003 |
| This form of frequent, broad-based recognition increasingly includes rewards of token tangible value, but high social value – such as in points or spot reward programs offering travel, merchandise, gift cards, time off, and other items. Organizations that hope to leverage SET through social recognition programs that do not include some element of tangible reward risk creating the impression that recognition is insincere and empty. | McAdams, J.L. (1999), 'Nonmonetary Rewards: Cash Equivalents and Tangible Awards,' in The Compensation Handbook. A State-Of-The-Art Guide to Compensation Strategy and Design, eds. L.A. Berger and D.R. Berger, New York: McGraw-Hill, pp. 241–260.<br><br>Long, Richard J. and Shields, John L. (2010) 'From pay to praise? Non-cash employee recognition in Canadian and Australian firms', The International Journal of Human Resource Management, 21: 8, 1145 — 1172 http://dx.doi.org/10.1080/09585192.2010.483840 |
| SET and related research links employees' willingness to work harder for recognition, and to continue behaviors and actions reinforced by social recognition, leading to higher employee engagement, greater performance, and lower turnover. | Bandura A. (1986). Social foundations of thought and action. Englewood Cliffs, NJ: Prentice Hall<br><br>Lartey, F. M. (2021). Impact of Career Planning, Employee Autonomy, and Manager Recognition on Employee Engagement. Journal of Human Resource and Sustainability Studies, 9, 135-158. https://doi.org/10.4236/jhrss.2021.92010<br><br>Montani, F., Boudrias, J.-S., & Pigeon, M. (2020). Employee Recognition, Meaningfulness and Behavioural Involvement: Test of a Moderated Mediation Model. The International Journal of Human Resource Management, 31, 356-384. https://doi.org/10.1080/09585192.2017.1288153<br><br>Raza, S., Ansari, N. U. A., Humayon, A. A., Hussain, M. S., & Aziz, K. (2017). Factors Affecting Millenials Employee Engagement in Government Sector. International Journal of Management Excellence, 10, 1195-1200. https://doi.org/10.17722/ijme.v10i1.947<br><br>Stajkovic, A.D., and Luthans, F. (2003), 'Behavioral Management and Task Performance in Organizations: Conceptual Background, Meta-analysis, and Test of Alternative Models,' Personnel Psychology, 56, 155–194 |
| Two-thirds to three-quarters of US workers are actively seeking new jobs at any given time. The main reason cited is lack of recognition in their current employment. Recognition scales through programs involving managers, peers, and, where possible, other stakeholders. | Marks, G. (2017). Study: 71 Percent of Employees Are Looking for New Jobs. The Washington Post. https://www.washingtonpost.com/news/on-small-business/wp/2017/10/19/study-71-percent-of-employees-are-looking-for-new-jobs/<br><br>Wilches-Alzate. G. (2009) The Relationship between Rewards and Recognition, Service-Oriented Organizational Citizenship Behaviour, and Customer Satisfaction. Doctoral Thesis, University of Waterloo |
| SET and related research emphasize the importance of interactions between co-workers, their supervisors, managers, and with other stakeholders in the form of appreciation, recognition, and feedback. The universal need for social connection and belonging is widely described in the psychology literature. | Lartey, F. M. (2021). Impact of Career Planning, Employee Autonomy, and Manager Recognition on Employee Engagement. Journal of Human Resource and Sustainability Studies, 9, 135-158. https://doi.org/10.4236/jhrss.2021.92010 |
| Recognition is vital to virtually every employee, but as organizations enter a new era of remote and hybrid work, the design of social recognition programs and platforms is especially important in keeping co-workers, managers, and customers connected within a culture of recognition and appreciation. | Microsoft (2021) Work Trends Report. https://www.microsoft.com/en-us/worklab/work-trend-index/hybrid-work<br><br>Baym, n., Larson,J., Martin, R,. (2021) What a year of WFH has done to our relationships at work. Harvard Business Review. https://hbr.org/2021/03/what-a-year-of-wfh-has-done-to-our-relationships-at-work<br><br>Dahik, a. et al (2020) What 12,000 employees have to say about the future of remote work. Boston Consulting Group. https://www.bcg.com/publications/2020/valuable-productivity-gains-covid-19 |
| Social recognition, including that which includes small tangible rewards, avoids the potential problems associated with cash rewards (high cost, low emotional impact, acquisition guilt, expectations-setting, etc.). Its largely symbolic and informational components generate a reciprocity effect (the desire to repay kindness), motivate desired behaviors, and effectively signal what is important to the organization. This form of communication and reinforcement may be especially important in the current context of pandemic recovery in connecting and motivating remote and hybrid workers, especially when social recognition programs include peer-to-peer and multiple stakeholder involvement. | Long, Richard J. and Shields, John L. (2010) 'From pay to praise? Non-cash employee recognition in Canadian and Australian firms', The International Journal of Human Resource Management, 21: 8, 1145 — 1172 http://dx.doi.org/10.1080/09585192.2010.483840<br><br>Stajkovic, A.D., and Luthans, F. (2003), 'Behavioral Management and Task Performance in Organizations: Conceptual Background, Meta-analysis, and Test of Alternative Models,' Personnel Psychology, 56, 155–194.<br><br>Microsoft (2021) Work Trends Report. https://www.microsoft.com/en-us/worklab/work-trend-index/hybrid-work<br><br>Baym, n., Larson,J., Martin, R,. (2021) What a year of WFH has done to our relationships at work. Harvard Business Review. https://hbr.org/2021/03/what-a-year-of-wfh-has-done-to-our-relationships-at-work<br><br>Dahik, a. et al (2020) What 12,000 employees have to say about the future of remote work. Boston Consulting Group. https://www.bcg.com/publications/2020/valuable-productivity-gains-covid-19 |
| Employees may work hard in expectation of cash and other rewards yet remain unsure of expectations and priorities. Because social recognition promotes behaviors that garner social approval (behaviors and actions the organization values) it complements compensation, bonuses, and other rewards, often achieving similar results at lower costs than cash. | Bandura A. (1986). Social foundations of thought and action. Englewood Cliffs, NJ: Prentice Hall<br><br>Luthans F, Stajkovic AD. (2000). Provide recognition for performance improvement. In Locke EA (Ed.), Handbook of principles of organizational behavior (pp. 166180). Oxford, UK: Blackwell. |
| When combined with other elements of behavioral management, including competitive pay and rewards, feedback, career planning, and autonomy, the already significant impacts of social recognition on performance, engagement, and retention, are greatly amplified. | Stajkovic, A.D., and Luthans, F. (2003), 'Behavioral Management and Task Performance in Organizations: Conceptual Background, Meta-analysis, and Test of Alternative Models,' Personnel Psychology, 56, 155–194<br><br>Lartey, F. M. (2021). Impact of Career Planning, Employee Autonomy, and Manager Recognition on Employee Engagement. Journal of Human Resource and Sustainability Studies, 9, 135-158. https://doi.org/10.4236/jhrss.2021.92010 |