

When to Reward Employees with More Responsibility

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Managers who want to recognize employees for good work have many tools at their disposal. One of the more traditional ways to reward a top performer is to give her a promotion or raise or both. But how can you know whether someone is truly ready for the next challenge or deserving of that bump up in pay? HR policies and company culture often dictate when and how people move up in a company. However, managers in most companies have a good deal of input into the decision, and in some cases they are the ultimate decision makers. Whether you have this authority or not, promotions and raises need to be part of an ongoing discussion with employees about their performance.

What the Experts Say

“Many times a manager feels responsible for finding their people their next step in the organization,” says Herminia Ibarra, the Cora Chaired Professor of Leadership and Learning and Faculty Director of the INSEAD Leadership Initiative. It’s critical that managers make these decisions about promotions and raises carefully. “I think who an organization promotes is a very strong index of their core culture,” says Susan David, co-director of the Harvard/McLean Institute of Coaching, founding director of Evidence Based Psychology LLC, and a contributor to HBR’s The Conversation blog. Managers should recognize that who they reward sends a signal to the rest of the organization. Therefore, they need to be sure they are endorsing behavior that is in line with the organization’s values. For example, an employee who exceeds his targets but treats his team members poorly should not be rewarded in an organization that values teamwork.

Similarly, the way an organization promotes people has implications for an individual’s success. Organizations often assume that a promotion should involve giving star performers responsibility for managing more people and developing — rather than just executing — strategy. “Yet, these are not areas of genius for all. Many organizations lose some of their best operational people because of creating single pathways to organizational success,” says David. It’s possible to reward people in other ways. “Organizations who create multiple, flexible pathways to success will keep their best people, keep them engaged, and keep them for longer,” says David. Next time you are trying to decide whether to recognize strong performance with a promotion or raise, follow these principles.

Assess current performance using multiple sources

As a first step, you need to be sure the employee is able to do the job you are considering promoting her into. Take a look at her performance. “There will be markers even in the current job that show how they’ll do in the new role,” says David. She recommends you use multisource feedback: draw not only on your own assessment but talk to others as well. It is especially important to seek input from people who interact with the employees in ways that you don’t. Talk to peers, team members, and people she manages. In some cases, you may find that she’s already doing parts of the new job. “Some people do their job as it is described and some enlarge their job; they innovate around the parameters of the job. That’s the best evidence of all — when they’re already doing the job,” says Ibarra.

Consider the “competence-challenge balance”

“We all want to be and feel we are good at things. We also have the need to feel we are growing and learning,” says David. A good indicator that you may need to promote someone is if he is expressing a desire to learn more and take on a new challenge. People who are particularly good at their jobs may quickly master them and need to be stretched. “If in their current jobs employees are reaching points where they are over qualified, this is a strong risk factor for disengagement and loss of those employees,” says David. You need to always be assessing your people and be sure they are working at the edges of their abilities. If they are performing well but not learning anything new, a promotion or an alternative assignment may be best for both the individual and the organization.

Make sure there is a match

Before promoting someone into a new role, consider whether it’s something she will enjoy doing. Many managers fail to consider that just because someone is good at a job, doesn’t mean she will take pleasure in it. “One of the greatest tools a manager can use is an authentic, honest conversation with the individual,” explains David. Ask your employee whether she is interested in and excited about the new responsibilities. If not, consider creating an alternative role that stretches her, fulfills her, and fills a need in the organization.

Experiment before making the new job permanent

Occasionally, you may need more information to judge the employee’s expected performance in a new role. As Ibarra points out, “It gets tricky when performance in a current role is not a good predictor of performance in a

new role.” In these cases, design an assignment that is similar to the tasks and challenges of the new job to test the employee’s ability. Be transparent with the employee about this experiment. Make it short-term and outline clear success criteria and an evaluation timeline. Be careful though — you don’t want to invisibly promote your people without recognizing their contributions. Providing more responsibility without a corresponding change in title or raise can sap motivation.

How much of a raise?

With some promotions, it may be obvious how much of a raise you should give based on how much others doing the same job are paid. However, many job changes are not as clear cut. The employee may be retaining some of her former responsibilities while taking on new ones. Create a job description for the new role. Take a look at all of her duties and try to benchmark them against other jobs in the company or in the broader employment market. If you don’t have similar positions in the organization, look at increases that went with other promotions in the organization. If most promotions come with a particular increase in salary, stick with a similar percentage.

When you have to say no

There are people who will ask for a promotion even if they’re not ready and those who will hold back even though they are ready,” says Ibarra. Your job is to help calibrate those requests. If your employee raises the idea of a promotion but you worry he’s not ready, have an open discussion to hear his reasoning and share your concerns. Be clear about what competencies or experiences he needs to gain in order to be promoted and create an action plan for how he can do that. Provide him with the tasks and assignments he needs to expand his skills.

Remember, there are other ways to motivate

Due to a limited budget, you may have to say no to someone who is deserving. “With the financial crisis, a lot of people haven’t been able to use promotions and raises as motivational levers,” says Ibarra. There also may not be the right opportunity. In order to promote, David says, “there needs to be a strategic need in the organization” that this person can meet. These can be tough conversations. Be honest and transparent. Explain the rationale and be sure the employee understands that you value him. Give him stretch goals that help prepare him for the future when the company is better positioned to give him a promotion or raise.

Most importantly, find other ways to keep the employee engaged. “Leaders are often comforted by their capacity to give a raise or a promotion because these strategies are seen as tangible and executable. However, while these extrinsic motivators are a useful and important part of keeping employees engaged, they are certainly not the only ones,” says David. Instead, rely on intrinsic motivators, such as recognizing contributions, providing opportunities to gain new skills or experiences, and supporting autonomy and choice within a job. For example, you may have leeway as a manager to make modifications to the employee’s current position so that he is spending half of his time on his current job and the other half on new, more challenging responsibilities. Doing this may be more motivational in the long run and can often inspire loyalty. “Overreliance on pay and promotion as motivators leads to an organizational culture that is very transactional and disengaged,” says David. Employees who feel valued are likely to wait out the hard times.

Principles to Remember

Do:

- Make sure your people are working at the edge of their abilities
- Create an assignment that helps you assess whether the employee will excel in a new role
- Find other ways to motivate your people — beyond raises and promotions

Don’t:

- Say no to a request for a raise or promotion without a clear explanation
- Rely solely on your assessment of the employee’s performance — ask others for input
- Assume that a promotion will make the employee happy — look for a fit with the person’s interests and abilities

Case Study #1: A new role for the firm and the employee

Elise Giannasi was hired by Katzenbach Partners in 2006 as the executive assistant to the managing partner. A year into the job, she was receiving glowing reviews and Shanti Nayak, Katzenbach’s director of people, says it was clear that she was a star performer. In particular, Shanti noted that Elise had done a great job of building relationships with clients. Her relationships had been instrumental in setting up key appointments and

ensuring that bills got paid. The managing partner felt she was ready to move up. But according to Shanti, “there was no typical role for people to move into unless they were on the traditional consultant path.”

At the time, the firm didn’t have a staff person dedicated solely to business development. People throughout the firm were doing it as an “extracurricular” task. However, the recession forced the firm to develop a much more formalized process and they needed someone to be responsible for it. Shanti explains that they had two debates going on simultaneously: was this a role they needed? And if so, was Elise the right person for the role? While Elise was doing small pieces of client development already, she had never filled a role like this before. Shanti knew that Elise had worked hard to develop the right relationships both inside and outside the firm and she had confidence she could do it. When she talked to others in the firm, they endorsed her assessment. In the end, Shanti says, “It felt like a risk worth taking.” Shanti explained that since this was a new position, it was difficult to decide how much to pay Elise once she was promoted. They looked at what other promotions carried in terms of a raise, in particular the percentage increase that associates received when they became senior associates. Elise was given a similar percentage increase and a new title: manager of business development.

Case Study #2: Job sculpting to prepare for the next step

When Sarah Vania joined the International Rescue Committee as the senior HR partner in late 2009, she was particularly impressed with an HR administrator named Nicole Clemons. Nicole was studying for her master’s degree while working full time. She commuted two hours by bus to her job, using that time to study. Nicole had always received very good reviews. Sarah thought, “Here’s a high-potential person who has earned her right to development.” When Sarah sat down with her for their first review together, Nicole asked, “What’s the path ahead for me?” She had applied for an open HR partner role but because it was two steps up from her current role, the organization didn’t feel she was ready. Without a logical next step for her, however, she would be stuck in her current role. “As a manager, I owed her a career path but I didn’t have the budget to create a new role and hire a new admin,” says Sarah.

Instead, she decided to create an alternative role for Nicole. Nicole would continue her duties as an HR administrator but also take on two of Sarah’s client groups to manage. This apprentice model would allow Nicole to learn on the job what it means to be an HR partner with Sarah providing her feedback and support. “It helps her learn in a manageable, supported way rather than trial by fire,” explains Sarah. Sarah spoke with the leaders of each of the client groups. She made it clear that although Nicole was still learning the role, she would make their groups her first priority and Sarah would be there if any issues came up. “I asked for their help and explained the benefit,” says Sarah. Nicole has since taken on more responsibility and Sarah says she is well on her way to qualifying for the partner role.

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