Make workplace competition healthier

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EXECUTIVE SUMMARY

Competition among employees in the workplace is a double-edged sword that can benefit or harm workers and their companies. A competitive work environment can increase production, efficiency, focus, employee motivation and profits. On the other hand, a competitive work environment can create a stressful, pressure-packed environment that promotes fighting among the employees, which could hinder the quality of work and affect worker self-esteem. However, leadership can emphasize team collaboration, balance cooperation and competition among employees, and have employees compete against personal goals rather than other people. Such techniques can provide a healthy but competitive work environment.

Competition is a fact of life.

Employees compete for promotions. Researchers fight for grants. Organizations fight for market share.

According to the 2010 article "The Psychology of Rivalry" in the *Academy of Management Journal*, "Competition is the act of competing or an effort of two or more independent parties to achieve a desired result." Competition usually results in only one winner, leaving everyone else a loser. The success of one participant inherently comes from the failure of the other participants.

Therefore, businesses and managers must be able to recognize the difference between healthy (positive) and unhealthy (negative) competition. Ideally, businesses want to emphasize positive competition while eliminating negative competition.

Competition that is internal to the organization can take one of three forms. The first form consists of an individual competing against another individual. Within organizations, some employees find themselves constantly competing for bonuses or promotions in the race for career advancement. The second form consists of an individual competing against an entire team, and the final form has an entire team competing against another team in the same organization.

In some companies, two or more divisions are given the task of independently developing a new product, and the senior executives decide which team produced the best work. Competition in the workplace often is characterized by an employer who hires several employees to try to outperform one another to receive a higher wage or bonus payment.

People perceive competition in the workplace differently. Some individuals see such competition as a threat, while others perceive it as an opportunity to advance their careers. Their perception of competition depends on what resources they think are necessary to reach the organization's top positions. Some individuals believe they must backstab their colleagues in order to reach the top. Other individuals believe they need the help and assistance of their co-workers to help them rise up the corporate ladder. They believe that it is necessary to work and learn from each other in order to achieve their goal.

A competitive workplace has the potential to help a company reach new heights. But if it is not handled properly, a competitive workplace can have a detrimental effect by leading to a cutthroat culture that demoralizes the workforce, according to management consultant Sandy Arpino. A manager or business owner must configure a motivational technique to encourage the employees to perform their best while maintaining good relationships with their co-workers.

With a tight economy and high unemployment rates, many employees are concerned about their job security. The fear of losing a job can lead to a more competitive work environment because employees want to set themselves apart from their colleagues. Individuals need to show to the managers that they are a valuable asset to the company and worth keeping. Thus, employees must shine through the competition by outperforming the other employees.

Competition is inevitable at work because every employee is trying to exceed and outperform other employees. Every employee wants to perform their best because most employers praise and reward excellent performers.

Again, according to Arpino, an employer judges an employee based on his or her performance level and compares it with other employees' performance. The employee with a higher performance will move up the corporate ladder. The need to show how valuable you are by outperforming your colleagues drives employees to compete with one another in the workplace. Thus, employees are driven by their personal competitiveness and ambitions.

The competitive advantage

There are numerous advantages to having a competitive work environment. As long as competition in the workplace is healthy, it will benefit both the employee and the company. Healthy competition helps employees increase production, efficiency, focus and profits. In addition, competition is great for employee motivation and employee growth.

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Competition among employees raises productivity in the workplace. The presence of competitors aiming for similar goals, such as promotions or salary increases, will push employees to be work-oriented, diligent and focused on achieving the goals at hand, Volker Benndorf and Holger A. Rau wrote in *Competition in the Workplace* for the Dusseldorf Institute for Competition Economics. Competitive work environments encourage individuals to work harder because everyone wants to impress their boss and finish on top of everyone else. The incentive of being rewarded for his or her hard work drives the individual to put in extra effort. Since the incentive is offered to all employees, the organization benefits because most employees will increase the amount and quality of their work in hopes of achieving the reward.

Workers become very focused when there is competition for a reward. The competitive environment helps guide the employees to work toward a goal rather than work with no goal in mind. As a result, this increases their work's level of efficiency and quality. Benndorf and Rau reported that the competitive atmosphere pushes employees to produce exceptional work that will impress managers and have a positive impact on the company. And higher productivity and efficiency will increase the organization's net income.

Healthy competition is a good motivator because it stimulates and helps keep employees excited about their work. This positive competition creates a sense of urgency that spurs employees to identify and grab opportunities. In a team setting, encouraging positive competition among team members will enhance the likelihood that a project team is successful. This is because all team members must cooperate, think and work together to achieve a common objective.

A team with good dynamics pushes each member to compete against himself to improve continuously and contribute something significant to the team. Studies have shown that positive

competition often results in producing higher quality output because there is an increase in motivation, innovation and creativity. In addition, healthy competition promotes respect, empathy, care and consideration toward all team members.

All organizations are filled with talented individuals with different backgrounds and areas of specialization and expertise. Healthy and friendly competition among employees will help promote an atmosphere that helps them learn from each other's strengths and failures for the best interest of the organization. Competition helps individuals with personal growth because it helps individuals realize their own strengths and weaknesses. Competition forces individuals to learn about themselves and the ways they deal with adversity.

Healthy competition can help grow self-esteem because it shows individuals what they are capable of accomplishing. In addition, competition provides the individual with a goal that encourages employees to explore and be creative.

Curbing enthusiasm

In contrast with healthy competition, unhealthy workplace competition can lead to a toxic culture resulting in high employee turnover and discouragement of morale. Negative competition can create a pressure-packed environment that promotes fighting among the employees. Unhealthy competition can hinder the quality of work, lessen an individual's self-esteem and create rivalry among colleagues.

Unhealthy competition increases the employee's stress level. Job insecurity and the constant demand for high performance are the main causes of increased stress levels, according to "How internal competition destroys morale and inhibits productivity" in the May/June 2010 *Management World*. The major stressor for employees is the need to survive through the intense economic transformations of corporate downsizing and reorganizations.

In addition, the unhealthy competition stems from the pressure employers place on employees. The increased workload, long work hours, and the intense pressure to perform at peak levels to prove their worth to the company has increased the employees' stress. Stress can have negative effects on a company by decreasing productivity and efficiency. Also, production lessens when staff members become intent on finishing work alone rather than asking co-workers for help. The need to work alone results in poor quality because studies have shown that teams produce higher quality results than independent individuals, *Management World* reported.

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In highly competitive work environments, the self-esteem of employees can suffer tremendously if they are never praised or rewarded. Everyone wants to feel valued and respected in the workplace. People who only see that others are doing better and achieving great things could lose confidence. Even those who continually produce good results are still considered losers because their achievements do not match those of the top performer.

After so many "losses," eventually

some people will stop putting in the extra effort because they know they will never win. Arpino's research suggests that the losers' succeeding performance will be worse because they will, in a subconscious way, act to fulfill the poor performance expectations. This unhealthy competition negatively affects the organization and the individual because the loss of self-worth and motivation leads to decreases in their performance and quality of their work.

Unhealthy competition brings out everyone's selfish side, and this can lead to some harsh consequences. Some individuals who are very result-oriented may become so focused on achieving their goal that they are willing to bring co-workers down in order to get ahead. These types of competitive employees end up spending too much time and energy trying to figure out how to outshine their peers instead of trying to focus on how best to contribute to projects.

Consequently, this leads to employees competing against each other rather than cooperating together, Gavin J. Kilduff, Hillary Anger Elfenbein and Barry M. Staw wrote in "The Psychology of Rivalry." The employees end up doing what is in their best interest, and the organization's interest is the least of their concern.

Dysfunctional internal competition arises when people within a company or team see their colleagues as enemies, Robert I. Sutton wrote in "The Enemy Next Door" in the *Journal of Organizational Behavior*. Some people are so focused on eliminating the competition that they aim to be the only people left to receive the rewards. They try to eradicate their competition by not helping colleagues or by not sharing ideas with co-workers. Helping others would take time away from their own work. Plus, helping their colleagues be more productive could hurt their chance of getting rewarded and recognized, Sutton wrote.

The competitive employee's goal is to win; therefore, the competition does not generally promote excellence because in his or her mind trying to do well and beating others cannot be done simultaneously.

In such a competitive environment, employees rarely promote, create and share their new ideas with the other staff members because the employees feel that sharing leads to the risk of other employees "stealing" their brilliant idea. This type of competitive employee would likely be pleased to see their colleagues underachieve.

Forced rankings, or performance evaluations that require you to rank a set percentage of employees in specific categories (i.e., top, good, fair, poor) can help the organization identify, reward and weed out the top and bottom performers. However, Arpino maintains that forced rankings can start an extremely destructive process because no one wants to be in the bottom-performing category.

In these cases, everyone is competing to stay alive. This evaluation creates a zero-sum situation where the rewards or success of one person must come at the expense of another person's failure, according to Jeffery Pfeffer and Robert I. Sutton in "The Perils of Internal Competition" from *Stanford Business* magazine.

For example, organization XYZ uses forced rankings to evaluate an individual's performance among a group of 10 members. Before starting the project, everyone is aware that only two will get "great reviews," seven will get a "mediocre" review and one will get a "terrible" review.

Perhaps all 10 members made significant contributions to the group. It is too difficult and unfair to label one person as the weak link just because you need to satisfy the requirements of having a "terrible" performer. This is unfair because the "terrible" employee might have contributed the same amount as some others but must suffer the consequences of filling an arbitrarily defined performance category.

Overall, this disrupts the team collaboration because employees will be more focused on outperforming one another rather than working as a group, Pfeffer and Sutton claim. Quality guru W. Edwards Deming opposed performance evaluations, forced rankings and other merit ratings because they undermine motivation and breed disrespect for management among people who, at least at first, were doing good work.

Several Fortune 500 companies foster competitive internal environments, especially law firms and consulting companies. These companies have an "up or out" promotion model. After a certain point, individuals either move up the corporate ladder or are encouraged to find a job elsewhere.

For instance, General Electric's former CEO Jack Welch was known for implementing the forced ranking system. He was considered a great business manager because during his five-year term, GE made a tremendous amount of money for its stockholders. However, this was at the expense of the employees because he got rid of more than 100,000 of them. His performance measurement produced winners and losers because the top executives would rank their employees based on performance and would let the bottom 10 percent performers leave the organization, Anthony M. Marino and Jan Zabojnik reported in "Internal Competition for Corporate Resources and Incentives in Teams" in the *RAND Journal of Economics*.

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Managing competition for better outcomes

Healthy competition among employees is great motivation because it excites employees about their work and gives them a goal to focus on. On the other hand, organizations need to realize the importance of team collaboration. Therefore, managers must create a healthy competitive work environment that can be productive while not destroying employee relationships.

Emphasizing team collaboration is a good first step. Collaboration is critical to the success of today's organizations. All vital work in almost every sector of the economy is accomplished through collaboration. Sam Walton, founder and CEO of Wal-Mart, stated: "Individuals do not win in business, teams do. We are all working together, and that's the secret."

Collaboration is the best approach because collaborative work delivers better and higher quality results than individual work. Teamwork promotes an "everyone wins" attitude because everyone cooperates toward a common goal, and the reward is shared among all team members.

In 1898, a study documented a link between competition and task performance. The study observed that bicyclists were faster when racing together than when racing alone, according to Kilduff, Elfenbein and Staw. In a study conducted by social psychologist Alfie Kohn, he noted that in 65 studies cooperation promoted higher achievement than competition and independent work, Marino and Zabojnik reported. These two studies show that independent and competitive individuals achieve lower performance levels compared to team collaborations.

Southwest Airlines has a cooperative internal orientation. The compensation system features rewards such as profit sharing and stock ownership. In addition, merit pay is avoided because the firm is focused on the idea of helping one another to turn planes around as quickly as possible, to share ideas and to build a strong unified corporate culture among all employees, according to Pfeffer and Sutton.

If an organization chooses to have a competitive work environment, leadership should encourage the individuals to compete with their own past results rather than trying to surpass other employees. For instance, in 2012 a sales representative named Susan produced $100,000 in sales, and a sales representative named Brittany produced $300,000 in sales. Susan should be focused on trying to make $200,000 in sales this year instead of trying to outperform Brittany. Susan and Brittany's managers should have them focus on individual goals instead of positioning and comparing the employees against one another, according to Julian Birkinshaw's "Strategies for Managing Internal Competition" in *California Management Review*.

Don Fornes, the CEO of Software Advice, suggested that if managers choose to have an internal competition, they shouldn't make it a zero-sum game. Instead, set it up so that everyone can win. For example, give all employees a bonus if they hit their sales or performance goals instead of offering one large bonus to the one individual who outperformed all the others.

The CEO of CompUSA, James Halpin, believed he built a higher performance work culture. His philosophy was that you should consider your co-worker your competition, Sutton reported in "The Enemy Next Door." Halpin brought his philosophy to life by comparing the results of all regional managers. During quarterly meetings, he drew a line down the center of the table and had the 10 strongest performers sit behind the line and the 10 weakest performers sit in front of the line. In addition, Halpin made the weakest performers wear name tags that displayed the number of lost and stolen inventory from their stores.

His method probably drove his employees to work harder, but it weakened cooperation because the strong performers did not want to help the weak performers. Eventually, CompUSA had to shut down because the managers could not handle the pressure and stress from such a competitive and cutthroat culture.

Organizations need a constant sharing of information among employees for them to coordinate and continue learning from one another. No matter how important workplace cooperation is, employees will compete with one another for the limited resources. Hence, managers should seek to foster what Katherine L. Milkman, Laura Huang and Maurice E. Schweitzer call a "co-opetitive" work environment. Their working paper, "Toggling between Cooperation and Competition: How Subtle Cues Shift Co-opetitive Workplace Relationships," claims that such an environment simultaneously balances a cooperative and competitive atmosphere.

James F. Lincoln, a co-founder of Lincoln Electric, adored the virtues of competition while understanding the importance of interdependence among employees. He created an incentive system that rewarded individuals for supporting, not undermining cooperation. At Lincoln Electric, employees are rated from best to worst, and there is a huge pay difference between the highest- and lowest-rated production worker. However, the annual profit-sharing bonus that workers receive is based on how well the individual contributes to the success of their co-workers. This organization emphasizes the importance of a "star" employee as someone who helps everyone else succeed rather than someone who wins at the expense of others, Sutton reported in "The Enemy Next Door."

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Some companies use competition to encourage a collaborative environment. At PepsiCo, 40 percent of the employee's annual bonus is based on how well the individual helps talented colleagues develop their careers at the company. PepsiCo noticed that when employees are ranked on how well they work with others, they will learn how to collaborate, Birkinshaw wrote.

So internal competition in the workplace can be effective and productive, but only if managed correctly. Emphasize the importance of helping one another and sharing knowledge and ideas within the company to build a strong and unified culture among all employees. In addition, accentuate how the quality of work increases when individuals collaborate and work together to achieve the same goal.

Organizations that choose internal competitions should avoid comparing employees against one another. Instead, management should give employees their own individual goal because this will help workers focus on their objectives instead of being distracted by what their co-workers are doing.

Finally, companies that reward individuals for high performance should avoid giving the reward to just the top performer. Instead, reward all individuals who meet their individual targets. ❖