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THE BUSINESS IMPACT OF
RECOGNITION SYSTEMS

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> Recognizing and acknowledging employees is one of the most powerful engagement tools.

Results of the "CEO Challenge 2013" survey conducted by The Conference Board in July 2013 indicated that human capital is the No. 1 challenge for CEOs globally. It was the first time in the 14-year run of this survey that human capital concerns rose to the top of the list. In fact, a number of the other reported CEO challenges — such as operational excellence, innovation and customer relations — have obvious connections to the type of talent companies attract and develop, how their performance is managed and how they are rewarded. Corporate leaders are squarely focused on their human capital strategies to drive and sustain performance as the global economy gets healthier.

As organizations compete for talent in a healthier economy, there will be more employment opportunities

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for key talent. It will be essential for companies to demonstrate to their employees they are valued and appreciated. To be successful against this backdrop, organizations require an engaged and enabled workforce with a strong link between performance, rewards and recognition. Leaders recognize this need, and the total rewards profession needs to be ready to step up.

The Conference Board also identified the most prevalent human capital strategies in place to address these challenges. These themes include:

▮ Development and retention of critical talent
▮ Focus on employee engagement
▮ Improvement of performance-management processes
▮ Alignment of human capital systems to business strategy.

Role of Recognition

Recognition plays a significant role in all of these strategies. Traditional recognition programs often fail to address the many challenges encountered by today's global, multigenerational workforce. Instead of recognizing behaviors and performance, these types of tactical programs typically focus on tenure and the prize. This misses a significant opportunity to use a recognition program to manage culture and deliver measurable benefits to the bottom line. As multiple research studies by the authors' companies have demonstrated, recognition can be a powerful tool to engage and retain employees while identifying

the top performers and influencers in the organization. However, even though traditional and tactical recognition programs have historically not had a great reputation because they have not directly supported the organization's business strategy, HR leaders and managers know that feeling recognized and acknowledged is an enormously powerful engagement tool. Recent research by Hay Group linking employee engagement and business performance data show that highly recognized, engaged and enabled employees are 50 percent more likely to exceed performance expectations.
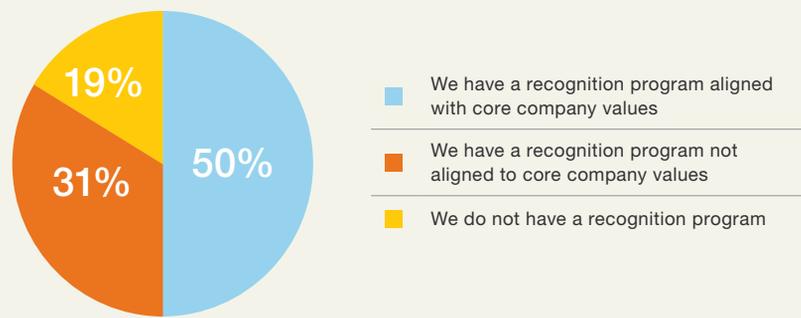
The bottom line — recognition, engagement and enabling employees matter. It's not merely a nice to have. There is a compelling business case to be made to focus organization time, attention and resources in these areas.

Research Initiative

In 2013, the authors' companies embarked on a global research initiative to gather data on several key questions around the effectiveness of recognition programs. More than 400 organizations in 49 countries responded to questions including:

▮ What is the prevalence and characteristics of recognition
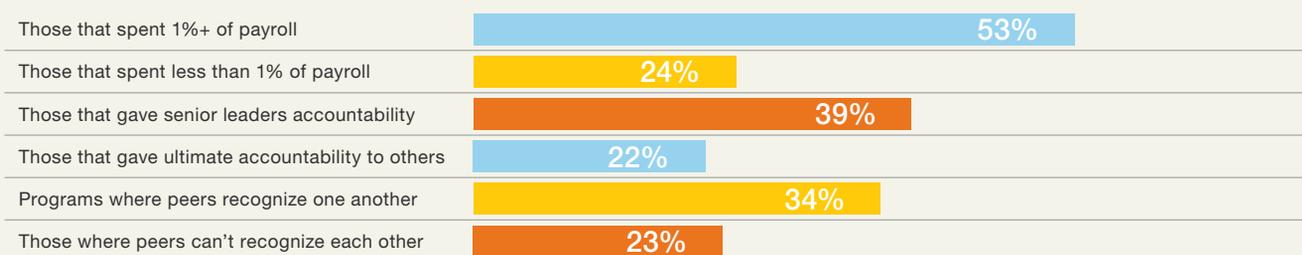

Figure 1 | **Prevalence of Recognition Programs**

- 19%
- 31%
- 50%

■ We have a recognition program aligned with core company values
■ We have a recognition program not aligned to core company values
■ We do not have a recognition program

Source: Hay Group/Globoforce "Business Impact of Recognition Survey"

Figure 2 | **Business Impact of Recognition**

Recognition program tied to company values — 44%
Peer group — 10%

Source: Hay Group/Globoforce "Business Impact of Recognition Survey"

Figure 3 | **Invest for Success: Organizations Reporting a Measurable Impact on Business Results**

Those that spent 1%+ of payroll	53%
Those that spent less than 1% of payroll	24%
Those that gave senior leaders accountability	39%
Those that gave ultimate accountability to others	22%
Programs where peers recognize one another	34%
Those where peers can't recognize each other	23%

Source: Hay Group/Globoforce, "Business Impact of Recognition Survey"

programs tied to organization values and business priorities?

▌ What are the characteristics of program design and implementation that differentiate the programs with the most impact?

▌ To what degree are organizations investing resources in their recognition programs?

Business impact of recognition. There are different types of recognition programs — service award programs, chairman awards, innovation programs, safety programs, programs in which employees can nominate colleagues to be recognized. One of the biggest decisions an organization makes when it designs a recognition program is whether the recognition moments are aligned to the organization's core values. In Figure 1, 81 percent of organizations report having a recognition program in their organizations with half of all participants reporting that their recognition programs are aligned with core corporate values. In Figure 2, of the organizations that reported they had recognition programs tied to their organization's core values, 44 percent agreed or strongly agreed that their program had a measurable impact on business results vs. only 10 percent of companies that stated their recognition programs were not tied to their core values.

Also, 71 percent of organizations reported that their recognition programs helped them build and reinforce their organization culture vs. only 20 percent of organizations with recognition programs not tied to their values (a more than 3:1 margin).

Invest for success. The results of the research showed some real differences in the degree of program impact on business results for those organizations that provide more investment in their recognition programs. In Figure 3, those organizations that spend 1 percent or more of their payroll in their recognition programs were more than two times more likely to report achieving a business impact from their program than those that spent less than 1 percent.

Those organizations in which senior leaders had the primary ownership and accountability for recognition programs were almost two times more likely to report a business impact from their program than organizations in which senior leaders didn't have this ownership. Furthermore, organizations that practiced "everyone-to-everyone" recognition — where peers can recognize one another — were 50 percent more likely to report a business impact from their program than those organizations in which peers were not allowed to recognize each other.

Global and simultaneous implementation. Organizations that

implemented their recognition programs for all employees globally and simultaneously realized greater business impacts from their programs. A conclusion is that global rollout is yielding greater results vs. limited (or phased) implementation. This is also likely an indicator of how globally connected and matrixed most organizations are today and the challenge in achieving business results if all employees do not participate in the program.

Recommendations

Given these findings, there are several recommendations for organizations to consider in terms of increasing the return on investment on their recognition programs.

1 | **Align the recognition program with the organization's core values.** Understand and encourage the behaviors that matter most in the organization in the recognition program. This provides a powerful channel to communicate and reinforce the organization's values.

2 | **Use recognition data for culture and talent management.** Related to the point above, use data from the recognition program to offer a better picture of what the current culture is and how to measure it. This data provides insight and perspective as to what employees are being recognized for and what is actually being valued and practiced in the organization. It also allows HR professionals to mine a new source of data to identify future leaders relative to the target culture. Recognition data is a new way to measure and visualize talent and organization culture in new ways, and it provides for crowdsourced data as part of the performance-management process.

gO Watch a video about this topic at **www.worldatwork.org/workspan.**

3 | **Gain executive participation and accountability.** The most effective recognition programs are ones that are supported by senior leaders. While human resources often owns the recognition infrastructure and related management processes, the messaging and leadership needs to come from the top to see business impacts from these programs. There is also data to support this. The research results showed that the impact on program success and business results was much higher where senior leaders were ultimately accountable for the success of the recognition program versus other groups, such as human resources.

4 | **Invest in the program to get an ROI.** Investment of resources includes development of enabling processes, systems and communications. An organization needs to have adequate funding in its recognition program to make a real business impact. Of organizations reporting a measurable impact on business results via their recognition program, 53 percent have invested at least 1 percent or more of their payroll in their recognition program vs. 24 percent of organizations that have invested less than 1 percent of their payroll. An organization also needs to invest in participation; high participation leads to more focus on the right behaviors and achievements.

5 | **Open it up; let everyone recognize everyone.** Experience by the authors and research show that organizations that report the greatest effectiveness in their recognition programs don't restrict their programs to subsets of employees. They allow all employees to participate, particularly given that organizations are more interconnected than ever before in terms of matrix management structures. Also,

this research initiative showed that in answers to open-ended questions regarding what made a company's recognition program successful, the most cited reason was the degree of openness and inclusion on a global basis.

Conclusion

William James, the first person to teach a psychology class in the United States — at Harvard University — was quoted as, "The deepest principle in human nature is the craving to be appreciated." With a well-designed recognition platform in place — one that is tied to a company's core values and business objectives — the outcomes can be phenomenal. On an intuitive level, it stands to reason that when employees feel appreciated and acknowledged for their contributions, they are more engaged in their work. And as evidenced in the beginning of this article, the more that human resources and senior leaders take an active role in aligning their recognition programs to the business impact of the business, the greater the return on investment. ws

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