

# Employee Recognition

## **FACT OR FICTION?** Are you trapped by conventional wisdom?

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When I meet with companies and HR leaders about their employee recognition strategies and programs, I often come away with a new idea to mold into a future best practice. While that's exciting, a more common observation is organizations that are holding back—not because they don't have good intentions—but because their conventional wisdom traps them in the status quo.

The reality is that employee recognition is evolving as quickly as workforce dynamics are shifting. Programs designed for *Traditionalists* and *Baby Boomers* are likely not as effective and meaningful for the increasingly younger, diverse workforce. Recognition re-engineering is in full-force as organizations look to challenge conventional wisdom and drive engagement in the years to come.

Following are the most common “myths” encountered ...

**Recognition is an organizational cost.**

**Recognition does not impact organizational performance.**

**We already have a recognition program—we do Service Anniversary Awards.**

**We use cash for recognition because that's what works best.**

**Ad hoc, manager discretionary awards are effective and efficient.**

**It is more cost effective and efficient to implement employee recognition programs using internal organizational resources than 3rd parties.**



## **Myth 1** Recognition is a cost.



Recognition is not a luxury or a cost. In **fact**, it is an investment in your culture and workforce engagement. Even with mounting evidence linking employee engagement to a company's financial performance, organizations face challenges when it comes to budgeting. In a recent *National Association for Employee Recognition (NAER)* Survey, “lack of funding for recognition” was cited as the biggest organizational obstacle.

Your recognition *investment* has a positive impact on employee satisfaction. Satisfaction breeds engagement. And, engagement drives organizational performance.

## Myth 2 Recognition does not impact organizational performance.

Accenture lists “Reward & Recognition” top among their ten drivers of engagement (see chart to the right on Page 3). NAER corroborates this stating that 89% of companies use recognition programs as part of their human resource strategy.

Workforce engagement is becoming increasingly measurable. Unfortunately, corporate America’s engagement statistics are not strong—with 69% of employees either “disengaged” or “actively disengaged.” There is a positive correlation between an organization’s level of workforce engagement, the productivity of their people, the satisfaction and retention of customers and their overall financial performance. Based on Towers Perrin research, companies with high employee engagement scores have up to 3% improvement in revenue growth and up to 6% reduction in cost of goods sold.

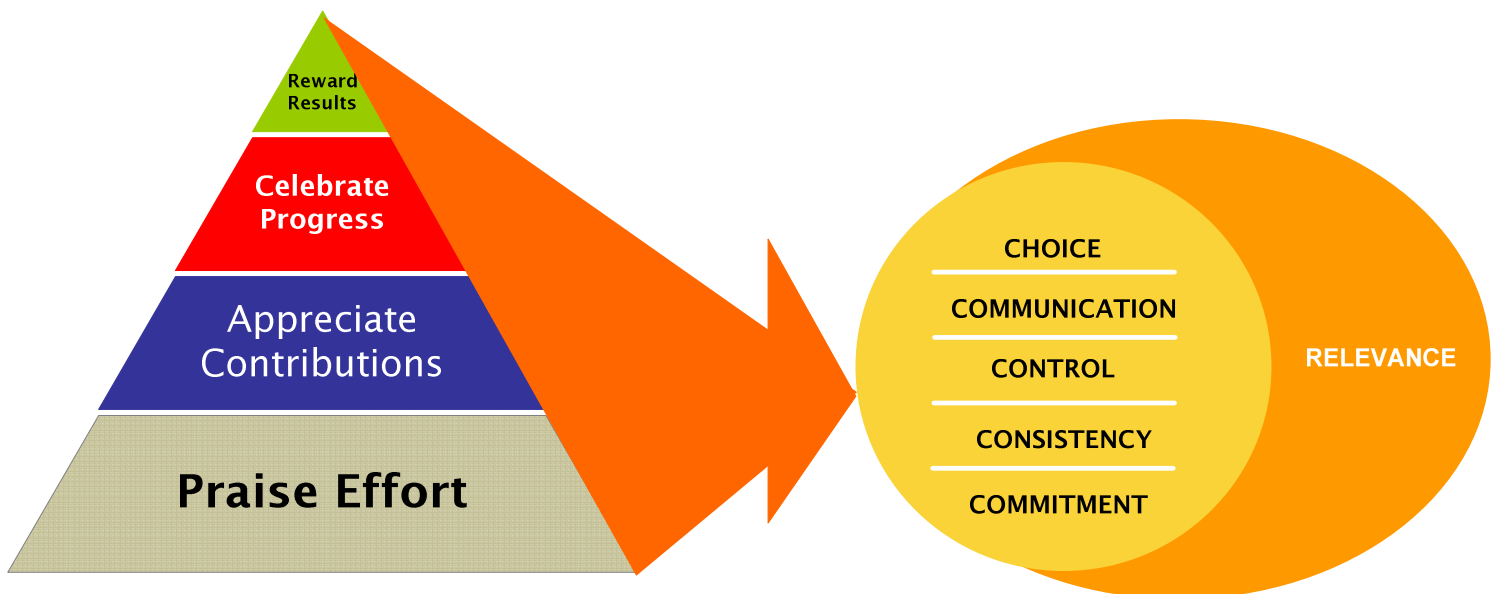
Before applying conventional wisdom and setting these statistics aside as “soft,” consider the fact that Wall Street is paying attention. Analysts are making buy-sell and investment decisions based partially on an organization’s workforce engagement health. According to Steven Kent from Goldman Sachs, “We in the investment community are spending more time assessing people performance management. We value it as part of our analysis. It is increasingly a tool in investors’ toolbooks.”

## Myth 3 Service awards are enough.

While service award programs are great formal acknowledgements of employee loyalty and years of service, they fall short of constituting an effective employee recognition practice.

In fact, the foundation for employee recognition is based first on *effort*—then results. While results are critical, recognition starts with praising effort, acknowledging incremental contributions and celebrating progress. An effective recognition practice also integrates both *informal and formal* recognition, *individual and team-based* initiatives and *multi-directional* recognition.

If you are limiting your program to results-based recognition and service milestones, you’re missing the power that recognition can bring to your organizational culture.





## Drivers of Engagement

1. Rewards & Recognition
2. Human Capital Infrastructure
3. Learning Management
4. Knowledge Management
5. Performance Appraisal
6. Workplace Design
7. Employee Relations
8. Career Development
9. Human Capital Strategy
10. Recruiting

## Myth 4 Cash is the best form of recognition.

Cash is often top-of-mind when it comes to an employee’s Total Rewards package. The **facts** ... cash is tied to compensation and has a strong impact on attracting and recruiting employees. Cash has a smaller impact on employee retention, however, and very little impact on employee engagement.

In **fact**, compensation is missing from Accenture’s *Drivers of Engagement* list. Cash has a place in some results-based incentive plans, variable compensation programs and sales commission structures. But it is not the best medium for employee recognition.

Recognition programs are used to shape behavior, reinforce culture and create/sustain an engaged workforce. The **fact** is tangible awards are the most effective formal tools for employee recognition. Research indicates that people perceive the value of a non-cash award to be as much as 40 percent higher than its actual cash value.

**“[Cash and benefits] play a very significant role in attracting people to a company and some role in retaining. But they have a relatively minor role, at best, in driving engagement itself.” - Towers Perrin 2003**

## Myth 5 Pre-selected manager discretionary awards are best practice.

Does this sound familiar? Managers in your company keep a drawer full of gift certificates to local restaurants and big box stores on hand then distribute them to deserving employees at their discretion. While this is a very common practice with the best intentions, the **fact** is it violates a number of recognition best practices—namely **Consistency, Control & Choice**.

CONSISTENCY

Unless managers are highly knowledgeable on recognition best practices, there are likely tremendous inconsistencies across the organization. Ad hoc recognition can quickly cause equity and fairness issues within your company if managers are not trained or systematic in their approach.

CONTROL

With governance and accountability on the rise, control is more important than ever. Companies are held accountable for knowing *who* was recognized, *why* they were recognized and *what* they earned. If you don’t have 100% visibility into your decentralized recognition practices, you are putting your organization at risk.

CHOICE

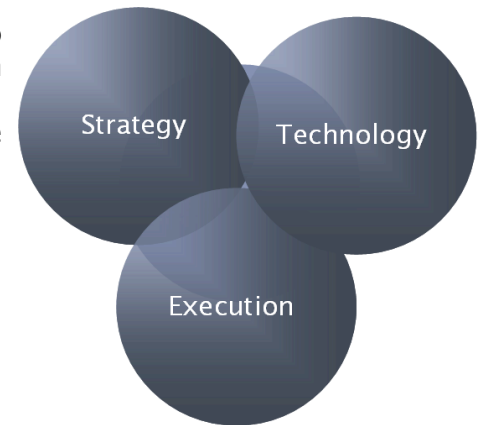
Particularly with regard to generational diversity, award choice is paramount to making recognition meaningful and motivating. Your programs should allow employees to *choose* their awards and recognition and provide flexibility to satisfy immediate desires or long-term award goals.



# Myth 6 It costs less and is just as effective to run programs internally.

Increasingly, organizations are turning to third parties in their quest to develop and execute effective, integrated and *systematic* recognition practices. While there are still a number of “do it yourself” organizations, there is more commonly the realization that internal resources cost time and money. More importantly, most companies lack the expertise, resources and infrastructure to optimize their recognition practice.

The **fact** is ... you need *Strategy, Technology & Execution* capabilities.



## Before pursuing a DIY approach, consider the following:

- ◆ Award inventory is cumbersome and requires a significant upfront financial output and internal infrastructure. Further, it generally forces employees to choose from a limited selection of awards. This violates the “choice” best practice.
- ◆ To align with Sarbanes-Oxley and IRS requirements, a seamless system that tracks all recognition awards, including management discretionary recognition, should be in place. The cost to build this internally versus configuring third party technology is estimated at 5x.
- ◆ Internal administrative resources must be fully allocated to the recognition initiative for a DIY approach to work. Assume a *minimum* of one skilled administrator (more likely multiple resources) for DIY as opposed to approximately 25% of a position when partnering with a qualified third party.
- ◆ Efficiency and economics aside, program design generally suffers within a DIY approach. Multiple best practices are overlooked simply because they are unknown. A credible third party will include recommendations for informal (and often “free”) recognition tactics within their recognition solution. In addition, they will augment your current employee communication and manager training practices rather than replace them. Ultimately, a reputable recognition partner will drive results. Program success metrics should be part of a credible third party solution.



**MotivAction**

Expect **MORE**

MotivAction combines thought leadership, program design and end-to-end operational support with our best-in-class technology to bring clients an integrated employee recognition practice.

Configurable technology applications include peer-to-peer recognition, manager “spotlight” awards, service awards and a three million item online award suite.

## Turnkey Execution and Operational Capabilities

### Program Management

- Launch training & support
- Day-to-day operations
- Website management
- Data management
- Reporting & ROI analysis
- Billing



### Communication & Training

- Multi-media communications
  - Print, interactive, AV and live event
- Training
  - Online modules
  - Offline/instructor led



### Award Fulfillment

- Order processing
- Supplier relations
- Award fulfillment
- Customer service
- Satisfaction guarantee

