

SHRM / GLOBOFORCE

# *Employee Recognition Survey*

## FALL 2012 REPORT

### THE BUSINESS IMPACT OF EMPLOYEE RECOGNITION



# EXECUTIVE SUMMARY

Succession planning, employee engagement and culture management are top of mind for HR leaders. One key question is how to design an effective recognition program that can be leveraged to help manage these key HR issues. After all, they are not only metrics of our human capital success, but also key drivers of our businesses.

Twice a year, Globoforce® commissions a survey with the Society for Human Resource Management (SHRM®), the world's largest association devoted to human resource management. Our goal is to elicit trends among HR leaders and practitioners about what challenges they are facing and what strategies help them conquer those challenges. This August, we surveyed 815 HR professionals, and asked them to share their experiences, practices and perceptions.

The Fall 2012 survey uncovers new insights on emerging employee recognition trends and best practices. We looked in particular at these questions:

- \* What are the top issues facing HR management today?
- \* Is it important that core values be aligned with recognition?
- \* How are emerging practices like peer-to-peer recognition affecting engagement?
- \* What is the impact of recognition on “employee enablement?”
- \* What are the best practices for spending on a recognition program?

## KEY FINDINGS

From 815 respondents, we uncovered the following five findings:

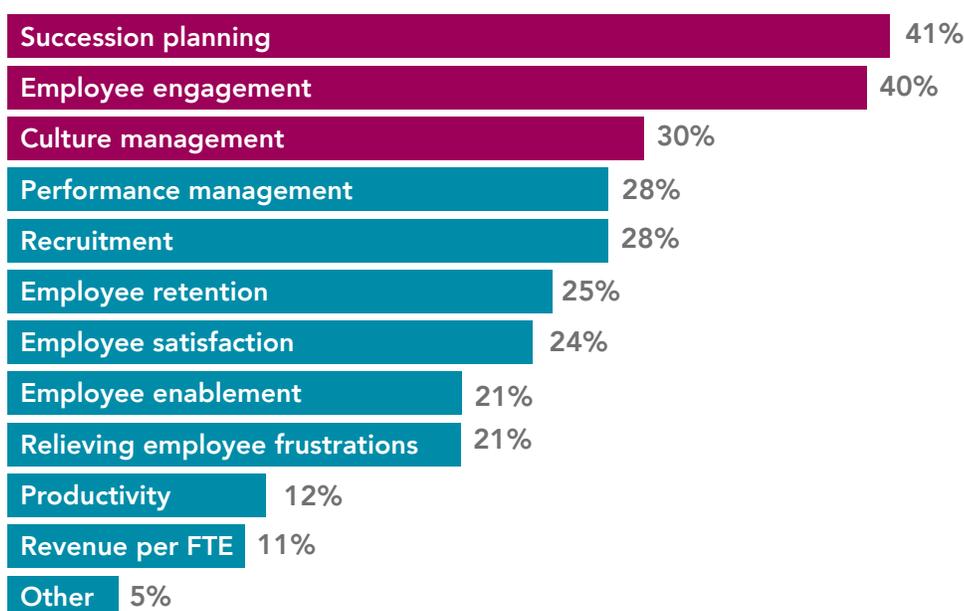
1. The top three challenges faced by HR organizations today are succession planning, employee engagement and culture management.
2. Companies with strategic recognition programs report less frustrated—and more enabled—employees.
3. Strategic recognition programs tied to corporate values are more effective than programs without ties to corporate values.
4. Empowering employees to both give and receive formal recognition yields better results.
5. Organizations that spend more than 1% of payroll on employee recognition experience better results.

## 1 / The top three challenges faced by HR organizations today are succession planning, employee engagement and culture management.

Although survey respondents indicated that issues around retention, performance management, recruitment, enablement and employee satisfaction were all concerns, the top three challenges faced by HR today were succession planning, employee engagement and culture management. (Figure 1)

FIGURE 1

### WHAT ARE THE MOST IMPORTANT HR CHALLENGES TO YOUR ORGANIZATION?



#### SUCCESSION PLANNING

More than two-fifths (41%) of those surveyed cited succession planning as a key HR challenge. This is likely due to growing pressure from the growing talent shortage, which has sharpened concerns about turnover and put increased emphasis on retaining, promoting and training talent from within. HR leaders are looking for ways to identify and key influencers within their organizations, so that they can be groomed as leaders of tomorrow.

#### EMPLOYEE ENGAGEMENT

Nearly tied for the spot at the top of the list is employee engagement. Most HR leaders see the critical connection between high engagement and better business results. Gallup, Hay Group, Towers Watson and others have all done research that shows engaged companies are more profitable, more customer-focused and safer.

#### CULTURE MANAGEMENT

Culture management is another key concern – and cited as a top challenge faced by today's HR organizations. In part this is likely because culture is so critical, yet traditionally so difficult to measure and quantify. Companies are searching for reliable metrics for gauging culture and cultural change that can reinforce company values and drive business goals.

## 2 / Companies with strategic recognition programs report less frustrated—and more enabled—employees.

Even the highest engagement scores will not yield true business results if employees are not also put in a position to succeed. This is known as “employee enablement,” and it means having people in the right roles and providing them with both the resources and support to get things done. Unless engaged employees are also enabled, they run the risk of becoming frustrated or disengaged.

The SHRM/Globoforce survey found that when companies have strategic recognition programs—programs where all recognition awards are tied to corporate values—their employees feel more enabled and empowered to succeed and less tempted to jump ship. Employees with strategic recognition programs also possess a stronger understanding of organizational objectives and feel more capable of achieving them. This is likely due to strategic recognition’s ability to reinforce values, encourage strong working relationships and clarify must-win battles. Our survey found:

- \* Organizations with strategic recognition programs in place exhibit 28.6% lower frustration levels than companies without recognition programs. (Figure 2)
- \* Organizations with strategic recognition programs are 25.4% more likely to have a clear understanding of organizational objectives than companies without a recognition program. (Figure 3)
- \* Employees feel 21.5% more enabled to help achieve organizational objectives at companies with strategic recognition programs in place, compared to those without recognition. (Figure 4)
- \* Companies with strategic recognition reported a mean employee turnover rate that is 23.4% lower than retention at companies without any recognition program. (Figure 5)

### What is Strategic Recognition?

Moving beyond simple appreciation or scattershot recognition practices, a strategic recognition program links each recognition moment directly back to your organization’s core values and strategic objectives, giving those moments more meaning and reinforcing your core values in the minds of your employees.

By tying recognition to your business objectives and then measuring and monitoring that activity, you are able to manage your culture and your talent and help shape behavior at all levels of the organization.

Strategic recognition is:

- \* Tied back to your core values and goals
- \* Measured, recorded and analyzed
- \* Universal, consistent and centralized for easy reporting

FIGURE 2

**LOWER FRUSTRATION LEVELS**

Q. How would you rate your employees current frustration level with getting things accomplished at your organization? (Scale 1-5)

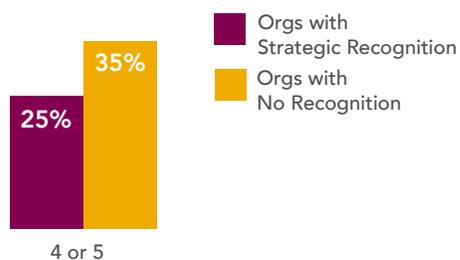


FIGURE 3

**BETTER UNDERSTANDING OF OBJECTIVES**

Q. Do employees have a clear understanding of organizational objectives?

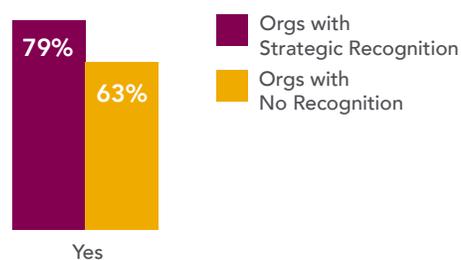


FIGURE 4

**MORE ENABLED EMPLOYEES**

Q. Are employees enabled to help achieve organizational objectives?

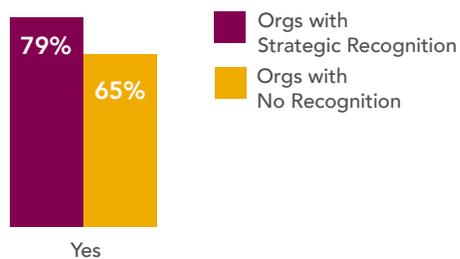
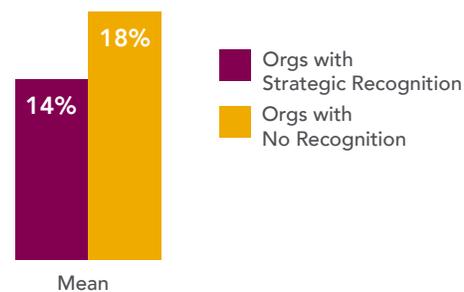


FIGURE 5

**LOWER TURNOVER RATES**

Q. Approximately, what was your organization's voluntary employee turnover rate in 2011?



### 3 / Strategic recognition programs tied to corporate values are more effective than programs without ties to corporate values.

When we analyzed key metrics, we found that when recognition programs are directly tied to organizational core values, they are more effective. The fact that these programs consistently reinforce company goals and give real-world modeling of desired behaviors may explain their higher impact on things like engagement and satisfaction. These kinds of recognition programs also yield actionable data that provides deeper insight into company culture and talent performance, which enables organizations to better manage and measure those areas.

- \* 72% of companies with strategic recognition programs reported that employees were rewarded according to their job performance, compared to only 55% of employees at companies with non-strategic recognition programs. (Figure 6)
- \* There is also a strong tie between companies that have recognition programs tied to values and a sense of having accurate performance appraisals. 62% of survey respondents at companies with strategic recognition reported that performance reviews in their organization were an accurate appraisal of performance vs. only 50% for companies without strategic recognition. (Figure 7)
- \* And critically, 37% of companies with strategic recognition report high percentages (71% or better) of workers with high engagement levels versus only 25% of companies without strategic recognition. (Figure 8)

FIGURE 6

**EMPLOYEES FEEL MORE ACCURATELY REWARDED**

Q. Do employees at your organization feel rewarded according to job performance?

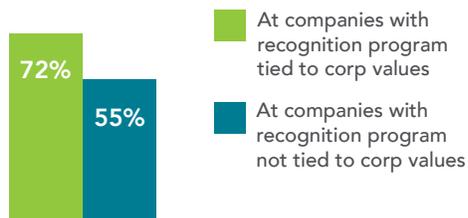


FIGURE 7

**MORE ACCURATE PERFORMANCE APPRAISALS**

Q. Are annual performance reviews at your organization accurate appraisals for your employees' work?

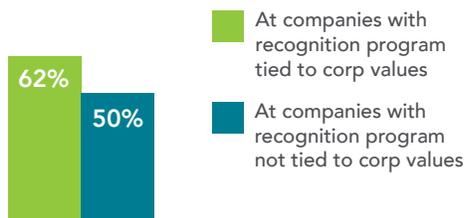
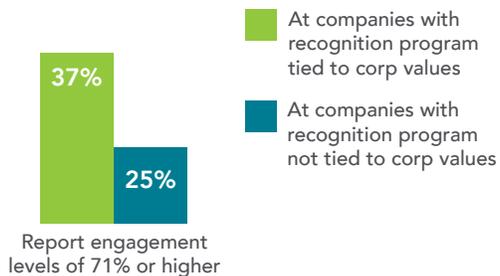


FIGURE 8

**MORE ENGAGED EMPLOYEES**

Q. Based on engagement surveys conducted by your organization, what percentage of your employees feel highly engaged in the workplace?



## 4 / Empowering employees to both give and receive formal recognition yields better results.

In metric after metric, SHRM/Globeforce survey results showed that companies that have implemented peer-to-peer recognition perform better. These companies have recognition programs with greater impacts on their financial results. HR managers perceive that employees are better attuned with company values and in turn feel that rewards are given out according to job performance. These companies are also more likely to feel highly engaged at work.

- \* When you look at companies that promote peer-to-peer recognition versus those that don't, they are 11.5% more likely to impact engagement in the workplace; 28% more likely to reinforce corporate values; 34.8% more likely to help with employee retention; and 35.7% more likely to have a positive impact on financial results. (Figure 9)
- \* Companies that use peer-to-peer recognition have seen marked positive increases to key business metrics across the board. 57% have seen increased engagement, 41% have seen an increase in customer satisfaction and 32% have seen an increase in customer retention, 32% have seen increased productivity, 28% have seen boosts in employee retention—according to HR managers' perceptions. (Figure 10)

FIGURE 9

**THE IMPACT OF PEER-TO-PEER RECOGNITION**

Q. Does your organization's recognition program produce the following?

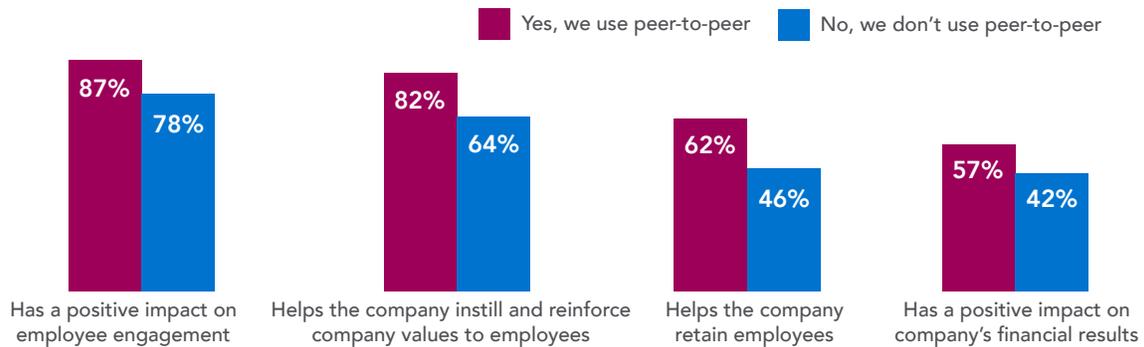
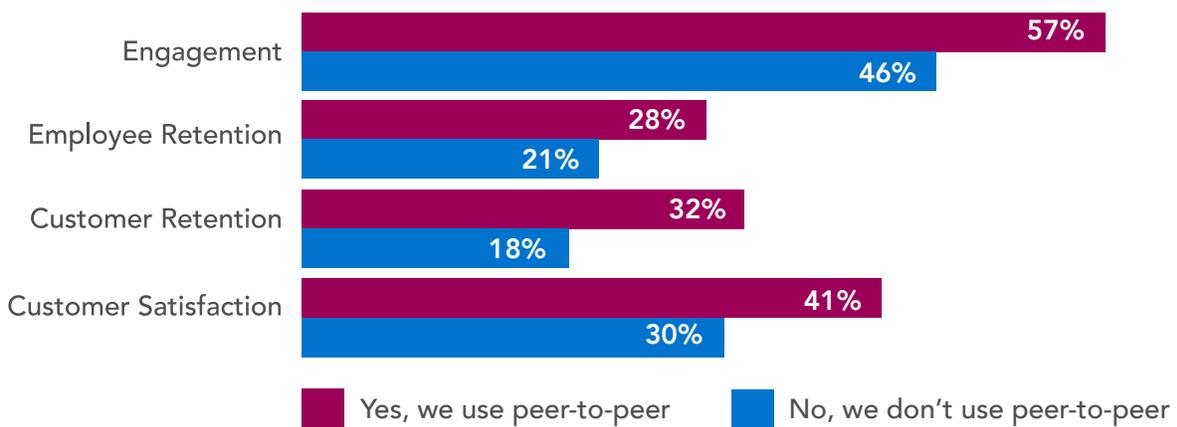


FIGURE 10

**MORE IMPROVEMENT ACROSS THE BOARD**

Q. What increases have you seen in the following categories due to employee recognition?



## 5 / Organizations that spend more than 1% of payroll on employee recognition experience better results.

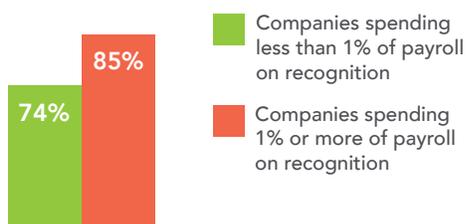
One critical question for HR managers has always been how much to allocate to reward and recognition programs. When we compared those who allocated less than 1% of payroll on recognition with those who spent 1% or more, differences emerged. Companies that allocated 1% or more of payroll to recognition see higher engagement levels, better retention and better financial results. They also have employees with stronger ties to company values.

- \* Engagement levels show that 74% of organizations that spend LESS than 1% of payroll on recognition saw a positive impact on employee engagement from their recognition programs. However, when companies spend 1% or MORE of payroll, 85% see a positive impact on engagement. (Figure 10)
- \* Only 33% of companies that spend LESS than 1% on recognition have reported positive financial results due to recognition. However, 59% of the organizations who spend 1% or MORE reported that their financial results have been positively impacted as a result of recognition. (Figure 11)
- \* Finally, where only 60% of respondents who spend LESS than 1% on recognition feel that their recognition program has helped the company to reinforce company values, 77% of companies who spent 1% or MORE felt that recognition was instilling and reinforcing those values. (Figure 12)
- \* 42% of companies that spend LESS than 1% of payroll felt employee recognition helped the organization retain employees. Of the companies spending 1% or MORE, 61% indicated that employee recognition programs helped with retention. (Figure 13)

FIGURE 10

**HIGHER ENGAGEMENT LEVELS**

Q. Does your organization's recognition program:  
Have a positive impact on engagement?

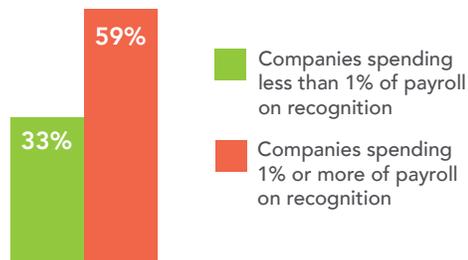


Recognition Program Has a Positive Impact on Employee Engagement

FIGURE 11

**BETTER FINANCIAL RESULTS**

Q. Does your organization's recognition program:  
Have a positive impact on the company's financial results?

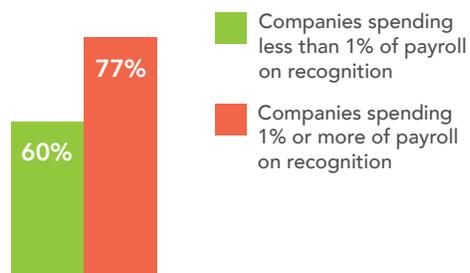


Recognition Program Has a Positive Impact on Organization's Financial Results

FIGURE 12

**REINFORCED COMPANY VALUES**

Q. Does your organization's recognition program:  
Help the company instill and reinforce values to its employees?

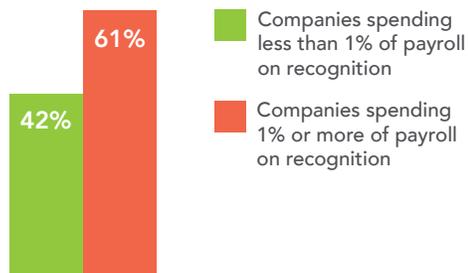


Recognition Program Helped the Organization Instill and Reinforce Corporate Values to its Employees

FIGURE 13

**LOWER TURNOVER**

Q. Does your organization's recognition program:  
Help the company retain employees?



Recognition Program Helped the Organization Retain Employees

# CONCLUSION

More than ever before, HR leaders are looking for tools that will help them to show the business value of human capital and culture management. By transforming existing recognition into strategic, social programs that yield measurable data, HR leaders are beginning to see positive shifts in metrics that matter—including retention, employee satisfaction, talent and culture management, engagement scores and financial results.

From 815 respondents, we uncovered the following five findings:

1. HR organizations are concentrating efforts on longer-range strategic challenges, citing their top three challenges as: succession planning, employee engagement and culture management.
2. Organizations that practice strategic recognition are less plagued by frustrated employees, have higher levels of enablement, and have a better overall understanding of organizational objectives.
3. Organizations that tie their recognition programs to their corporate values report higher success rates with those programs than organizations who do not tie recognition to corporate values.
4. Organizations that practice peer-to-peer recognition—empowering employees to both give and receive formal recognition—see better results than those who do not.
5. When organizations spend 1% or more of payroll on employee recognition, they report a significant positive impact on metrics such as engagement, retention and financial results, compared with organizations who spend less than 1%.

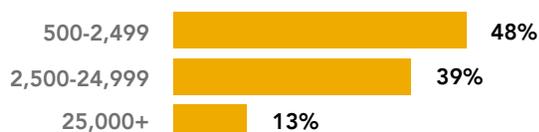
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## Next Steps

Learn more about strategic, social recognition and how it can drive business results for you by visiting us at [www.globoforce.com](http://www.globoforce.com), emailing [info@globoforce.com](mailto:info@globoforce.com) or calling 1-888-743-6723.

# COMPANY BREAKDOWN

## ORGANIZATION STAFF SIZE



Does your organization have U.S.-based operations (business units) only or does it operate multi-nationally?

U.S.-based operations only	56%
Multinational operations	44%

Is your organization a single-unit organization or a multi-unit organization?

Single-unit organization: An organization in which the location and the organization are one and the same.	13%
Multi-unit organization: An organization that has more than one location.	87%

What is the HR department/function responded for throughout this survey?

Corporate (company-wide)	55%
Business unit/division	26%
Facility/location	18%

For multi-unit organizations, are HR policies and practices determined by the multi-unit headquarters, by each work location or both?

Multi-unit headquarters determines HR policies and practices	46%
Each work location determines HR policies and practices	2%
A combination of both the work location and the multi-unit headquarters determine HR policies and practices	52%

## ABOUT THE SURVEY

The SHRM/Globoforce Employee Recognition Survey was commissioned by Globoforce and conducted by the Society for Human Resource Management from August 31, 2012 to September 21, 2012. This is the third deployment of the semi-annual survey since its launch in June 2011.

This edition of the survey was sent to 6000 SHRM members at a manager level or above. The final sample of the survey was composed of 815 randomly selected HR professionals who are employed at organizations with a staff size of 500 or more employees. The survey had a response rate of 14% percent and a margin of error of +/- 3 percent.

Results include responses from organizations in North America across a wide range of business to business and business to consumer industries. (Additional details about demographics are provided at the end of the report.)

## ABOUT GLOBOFORCE

Globoforce is the world's leading provider of social recognition solutions, redefining how companies understand, manage, and motivate their employees. Innovative companies around the world use Globoforce's cloud-based social recognition software to reveal the true performance and influence of every employee and strengthen company culture. With Globoforce, HR and business leaders can take a strategic approach to recognition programs that result in measurable benefits to the bottom line driven by increases in employee engagement, retention, and productivity. Globoforce is co-headquartered in Southborough, Massachusetts, and Dublin, Ireland.

## ABOUT THE SOCIETY FOR HUMAN RESOURCE MANAGEMENT

The Society for Human Resource Management (SHRM) is the world's largest association devoted to human resource management. Representing more than 250,000 members in more than 140 countries, the Society serves the needs of HR professionals and advances the interests of the HR profession. Founded in 1948, SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China and India.

Learn more about strategic, social recognition and how it can drive business results for you.



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