

# using recognition

to boost your total rewards during a recession

By Derek Irvine, Globoforce

**in** this recessionary economy, employees are afraid for their jobs, angry about taking over the work of laid-off colleagues with no additional compensation and uncertain of their company's continued commitment to them and their well-being. How do HR leaders address these concerns while remaining fiscally responsible in the face of cutting costs wherever possible? The answer lies in strategic employee recognition programs, which affirm employee contributions, acknowledge the additional work and effort employees are being asked to perform, and allay rumors. These programs allow HR leaders to deliver bottom-line savings while boosting morale and productivity.

To help HR leaders establish and manage recognition programs, this article provides a brief background on the importance of recognition, as well as five tips for making recognition programs successful.

## Understanding the Importance of Recognition in Total Rewards

While the economic recession is a key issue for today's businesses, it's not the only recession of note. In a recent article, Judith Bardwick described the

effects of a "psychological recession" on employees, saying, "Chronically fearful people are too exhausted to be creative and innovative. They expect the worst to happen, so they see no reason to give their all."

Helping employees overcome this psychological recession requires going beyond traditional cash compensation. Companies must feed their employees' need for psychic income — our human need for social acceptance, increased self-esteem and self-realization. Organizational behaviorist Frederick Hertzberg dedicated many years to studying employees' various needs for physical and social security and comfort, finding that salary, supervision and working conditions would

### QUICK LOOK

- ⇒ Companies must feed their employees' need for psychic income — our human need for social acceptance, increased self-esteem and self-realization.
- ⇒ Rebuilding productivity in this psychological recession will prove to be a strong competitive advantage today and when the market turns.
- ⇒ The opportunity to create a marked difference between companies with high employee morale over those with low morale is likely more pronounced now than it has been for decades.



FIGURE 1: RECOGNITION PROGRAMS

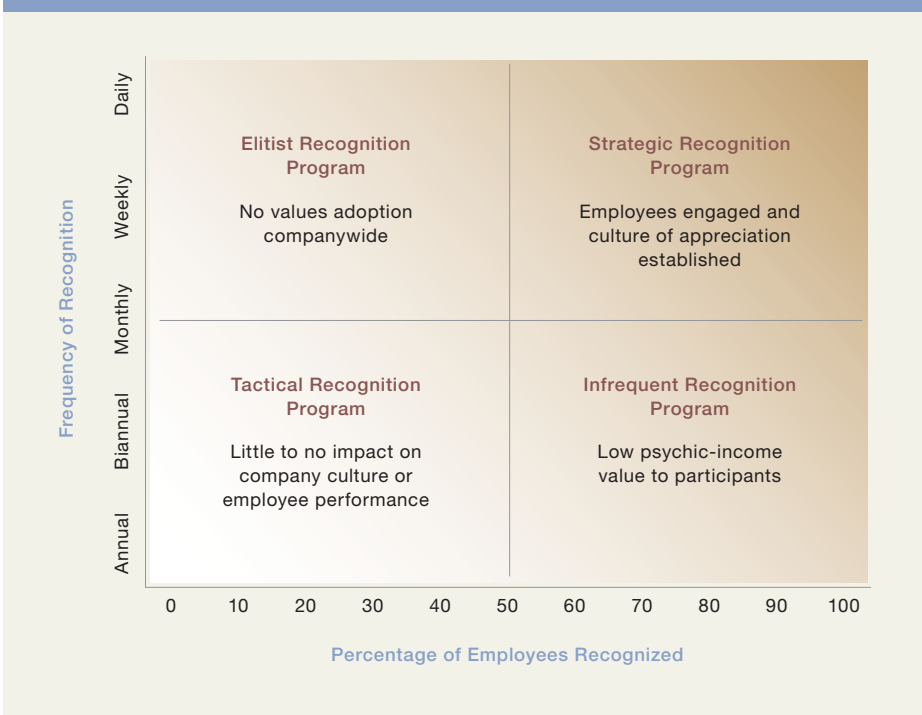


FIGURE 2: TYPES OF RECOGNITION



only prevent people from being dissatisfied. Herzberg identified only one tool — recognition — that could bring employees to the point of satisfaction, because only recognition feeds our psychic-income needs.

To help companies achieve the full benefit of strategic recognition programs within a total rewards approach, the remainder of this article focuses on five steps:

1. Drive employee engagement to increase productivity.
2. Consolidate programs to save money.

3. Meet CEO expectations — and prove results.
4. Integrate with other HRIS investments for additional benefit.
5. Gain competitive advantage.

**1. Drive employee engagement to increase productivity.** Rebuilding productivity in this psychological recession will prove to be a strong competitive advantage today and when the market turns. Getting employees more fully engaged — willing to give additional discretionary effort to get the job done — is more critical now than ever. Towers Perrin recently addressed this issue in its new book, *Closing the Engagement Gap — How Great Companies Unlock Employee Potential for Superior Results*, saying, “The answer [to restoring productivity] lies in building and sustaining an engaging work environment that consistently inspires people to devote the time, skill and effort necessary to keep their organization delivering bottom-line results.”

The numbers are real. In its 2007-2008 Global Employee

Engagement report, Towers Perrin found a 52-percent differential in operating income for companies with high employee engagement over those with low engagement. In today’s tight market, company leaders should not only take note of that statistic but also act on it, giving themselves greater discretionary effort in areas they identified as necessary to company success. Strategic recognition programs directly relate because they show employees who receive recognition why their specific behavior or action deserved recognition, as well as link that action to a company value or organization goal. This is by far the most positive and effective way to encourage repetition of precisely those actions company leaders need from every employee to succeed in this recession.

**Results:**

- Increase employee engagement by demonstrating company commitment to and appreciation of employee efforts in tough times.
- Encourage repetition of employee actions and behaviors necessary to achieve organizational goals.
- Track patterns in productivity relative to the actions recognized and the frequency of recognition.

**2. Consolidate programs to save money.** Many companies are already investing significantly in recognition initiatives (on average, between 1 percent and 3 percent of payroll) but now need to justify these programs in the face of cost-cutting actions. However, the need to motivate employees to higher productivity precludes the wholesale elimination of these programs.

Simply by consolidating multiple disparate recognition programs into one strategic recognition program and implementing efficient global administration,

companies are able to achieve 50-percent to 70-percent savings on their current investment in recognition. Strategic recognition programs take the buried and distributed budget of multiple legacy initiatives, consolidate it into a single global program, track it and provide executives with reports on the value of the program across the corporation.

A global, distributed manufacturing firm of several hundred thousand employees consolidated an estimated 100 tactical incentives initiatives into one strategic recognition program. Consolidated programs included company-sanctioned recognition efforts, ad-hoc “goodie drawer” initiatives created by managers who simply expensed costs (thereby eliminating any formal governance of spend), years-of-service programs and short-term goals-based programs. The company conducted a detailed audit of every business unit, division and group to uncover all activities, then formally “sunsetting” those programs while simultaneously launching the single strategic program to much fanfare. The company estimates a savings of 50 percent on its original investment in

recognition, while also dramatically expanding the number of employees receiving recognition, the governance of the program globally and the compliance of the program with international tax and payroll laws.

**Results:**

- Invest the budget primarily in employees and not on multiple local administrators.
- Reduce data-entry costs and errors by fully automating and integrating processes.
- Ensure cost savings and program enforcement through global corporate governance, tax compliance, and program measurement and management.

**3. Meet CEO expectations — and prove results.** Recent Globoforce research showed 45 percent of HR leaders believe their various recognition programs fall short in driving bottom-line results. The research further showed a staggering 42 percent of all organizations surveyed are not measuring their program’s results in any way, leaving CEOs in the dark on

the effectiveness and true value of their recognition programs, essentially wasting the money invested.

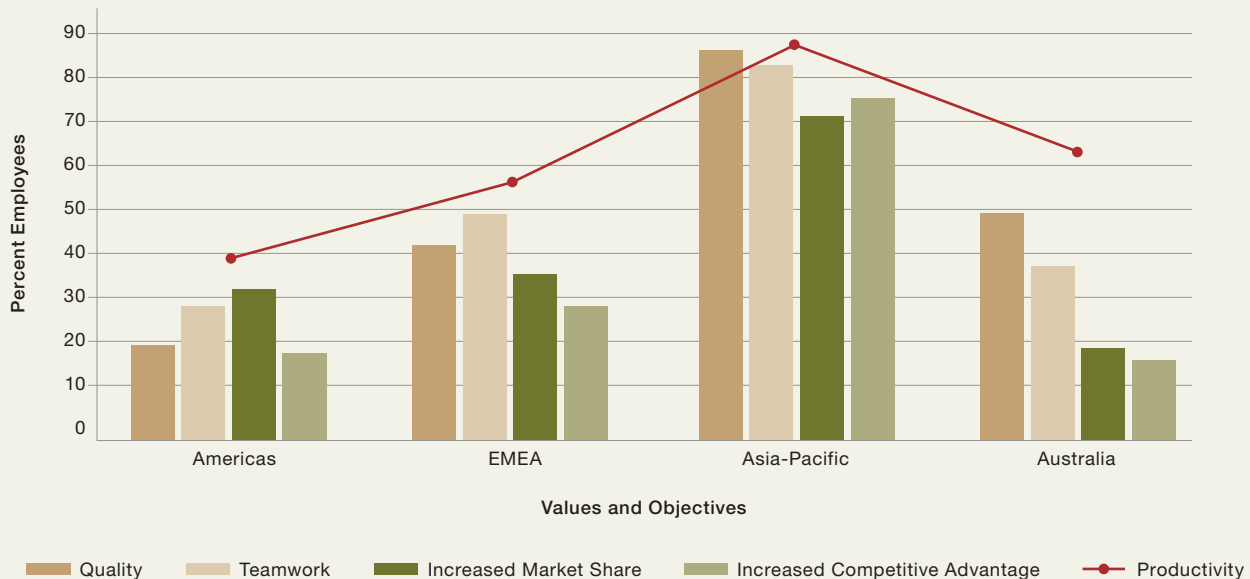
A key tenet of strategic recognition is setting clear objectives and defining metrics that show success against those objectives. Structured appropriately, strategic recognition programs chart every employee recognition and the reason recognition was given to show which groups or individuals are contributing where and which areas may need more targeted intervention for the company to achieve goals.

**Results:**

- Track spend in all divisions and groups, then compare results achieved in terms of productivity, demonstration of corporate values and achievement of strategic objectives.
- Clearly show divisions or groups where performance against targets is lagging, then directly intervene for improvement.
- Demonstrate return on investment in recognition efforts through quick-review executive dashboards.

**4. Integrate with other HRIS investments for additional benefit.** Most

FIGURE 3: RECOGNITION RELATIVE TO PRODUCTIVITY



companies of any size are already significantly invested in human resources information system (HRIS) and talent-management programs. Integrating strategic recognition with these programs expands the value of those investments by ensuring all recognitions are accounted for appropriately according to global taxation laws. For example, integrating recognition with performance management tools increases the amount of information available for a more accurate review of employee performance. When made available as a peer-to-peer option as well as manager-to-employee, recognition becomes a positive and ongoing form of 360-degree performance assessments in which anyone in the organization can comment on the contributions and effectiveness of their teammates. These “recognition assessments” and kudos can then be used during the annual performance review as an additional

data point on strengths and potential areas of improvement.

Integration with an HRIS system can be as complex as a full software integration or as simple as sharing data pertinent to the recognition program. For example, sharing employee lists, levels and management hierarchies ensures all employees are eligible for participation in the recognition program and approval of recognition follows the same hierarchy as management. Integration of payroll information ensures rewards are taxed appropriately everywhere in the world for true global compliance with international law.

**Results:**

- Gain additional cost savings through integration of payroll and recognition information for tax compliance globally.

- Enhance performance assessment with clear areas of strengths and weaknesses.
- Expand reporting capability of HRIS and talent management systems.

**5. Gain competitive advantage.**

Research firms Mercer, Gallup, Towers Perrin and Watson Wyatt recently released reports citing company leaders’ knowledge that they must retain their top talent during this recession to position themselves for success when the upturn comes. Employees have long memories. Top performers will always have options. If companies do not offer them a culture they want to be a part of — a culture of appreciation that shows how individual efforts support company objectives — they will leave. The opportunity to create a marked difference between companies with high employee morale over those with low

morale is likely more pronounced now than it has been for decades.

With a “culture of cultures” after several acquisitions, Symantec knew competitive advantage could be gained by uniting all employees in one culture of appreciation, focused on delivering against the company’s strategic objectives. In Symantec’s view, employee loyalty drives customer loyalty, which drives revenue, making employee recognition a business proposition. In redesigning its employee recognition program, Symantec leadership wanted to make recognition a part of every day,


fostering employee engagement to drive employee loyalty, providing a program that addresses global economies of scale and making recognition easy. Symantec was able to affect and measure a culture change within the first six months of the consolidated strategic recognition program, including a dramatic improvement in employee engagement and satisfaction scores.

**Results:**

- Create a company culture employees want to be a part of and contribute to — today and when the economy turns.

- Ensure top talent want to stay for the long term.
- Keep all employees focused on the job at hand in a high-performance environment.

## Conclusion

Strategic recognition plays a critical role in total rewards packages by helping employees understand their company’s commitment to them and their well-being. Proper deployment of these solutions also delivers bottom-line benefits to the companies that choose to invest in their employees to overcome the effects of a psychological recession. In this recession, now is the time to put strategic recognition to work in your organization to boost productivity and morale and drive employee engagement. 

## Metrics of Recognition Success

The success of any program requires a clear understanding of what defines success prior to program launch. Too often, when employee recognition programs are measured at all, they are measured on a tactical basis, such as number of awards given and demographics impacted. These measures have no relevance to impact on overall strategic objectives. While metrics of success will vary based on unique company needs and goals, universal program metrics include:

- **Program costs.** This metric can demonstrate how program costs have gone down while results have increased. In the case of strategic recognition, this often requires a thorough audit of current recognition and incentive initiatives to learn current spend.
- **Productivity and performance impacts.** This metric can show a direct correlation in improvements in employee productivity measures, personal or group performance targets or other key performance indicators, relative to involvement in the recognition program. Key cross-reference measures can include impact on retention, absence rates and productivity per employee.
- **Company values and strategic objectives.** By using these as reasons for recognition, executives can determine which divisions, regions or teams do not fully understand the strategic objectives or demonstrate the values necessary for success. This allows for direct intervention and training in lagging areas.
- **Program reach.** Only those touched by the program can be measured for improvements in morale and productivity. Therefore, program-reach metrics are foundational to understanding:
  - percentage of employees rewarded to show the successful communication of values and strategic objectives across the company
  - geographic and demographic program penetration to show meaningful program deployment and acceptance into distributed locations
  - match of award distribution to the performance bell curve to show successful motivation of the middle 70 percent of employees, a critical component often ignored in traditional elitist recognition programs
  - frequency of awards, which reveals the adoption of a universal culture of appreciation across the organization.

## ABOUT THE AUTHOR

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