FROM THE 2016 SHRM/GLOBOFORCE EMPLOYEE RECOGNITION SURVEY:
EMPLOYEE EXPERIENCE AS A BUSINESS DRIVER
EXECUTIVE SUMMARY

Organizations today face a myriad of talent challenges—most notably in the areas of retention/turnover, engagement, and recruitment. To really move the needle in each of these areas, HR leaders are shifting their focus from human capital management to creating a more human employee experience. More companies are finding that recognition, appreciation, and human workplace practices improve overall employee experience and fuel business performance.

Globoforce® commissions an annual survey in collaboration with the Society for Human Resource Management (SHRM) to elicit trends and insight from HR leaders and practitioners about their top workforce challenges and strategies to help address them.

This 2016 report examines best practices in employee recognition, the impact of recognition on organizational outcomes, trends in human workplace efforts, and evolving performance management practices. We looked in particular at these questions:

What are the top issues facing HR leadership today?
What impact do recognition programs have on business metrics?
Which human workplace practices are most commonly adopted?
How efficient are current performance management processes?
KEY FINDINGS WERE:

1. The top three workforce management challenges faced by organizations today are retention/turnover, engagement, and recruitment.

2. Recognition programs tied to organizational values are perceived to outperform other programs on every metric evaluated.

3. Organizations that dedicate 1% or more of payroll to values-based rewards and recognition are more likely to perceive greater impacts on retention and financial outcomes.

4. Award-winning workplaces are more likely to offer human workplace programs.

5. As organizations evaluate their performance management processes, coaching is seen as very important.
THE TOP WORKFORCE MANAGEMENT CHALLENGES FACED BY ORGANIZATIONS TODAY ARE RETENTION/TURNOVER, ENGAGEMENT, AND RECRUITMENT.

Retention tops the list of HR challenges—cited by nearly half of the organizations surveyed (46%).
For the second year in a row, retention tops the list of HR challenges—cited by nearly half of the organizations surveyed (46%). Keeping talent from leaving companies has nearly doubled as a concern over the years, with only one quarter of organizations (25%) listing it as a top challenge back in 2012.

It’s no surprise, especially when you consider Bureau of Labor Statistics data which shows the ratio of unemployed persons per job opening was 1.4 in September 2016—nearly the lowest since January 2001. This ratio peaked at 6.6 back in 2009 and has been steadily declining ever since. The number of job openings has trended upward since its series low in July 2009 and has now surpassed the pre-recession peak. There were 5.5 million job openings in September 2016.

Why does this matter? A few years ago, workers may have tolerated a less than satisfactory experience at work for the sake of job security. In today’s job market, all the power is in the hands of job seekers. Workers have more confidence—and more options—to look at better opportunities outside of their organization.
Turnover/Retention
The financial implications of voluntary turnover cannot be overstated. A recent Bersin by Deloitte report shows that the true cost of voluntary turnover not only involves direct costs, like cost per hire and first-year orientation and training, but also includes the interim reduction in labor costs and lost productivity costs. In total, Bersin by Deloitte estimates that organizations lose more than $100,000 for every employee who leaves. And this doesn’t include other indirect costs such as lost client relationships, institutional knowledge, and previous training for the employee leaving.

Engagement
More than one third of the organizations surveyed see engagement as a top challenge (36%), one that is closely related to turnover and retention. Gallup’s meta-analysis of more than a million employees showed that highly engaged organizations have lower absenteeism and turnover. It’s interesting to note that the number of HR professionals citing engagement as a challenge has declined compared with 2013. This may indicate a trend due to our expanded understanding of engagement, which Bersin by Deloitte says should include, “meaningful work, hands-on management, a positive work environment, opportunities for growth, and trust in organizational leadership.”

Recruitment
This year, recruitment (34%) overtook succession planning (33%) as the third most cited organizational challenge. Another indication that HR professionals are finding it difficult to fill open positions—the number of job openings in the United States peaked at an all-time high of 5.9 million in July 2016 and little changed at 5.5 million in September 2016. Some argue that recruiters are setting the bar too high, looking for the “purple squirrel,” as opposed to hiring for potential and then investing in training, development, and on-the-job coaching.

In total, Bersin by Deloitte estimates that organizations lose more than $100,000 for every employee who leaves.
RECOGNITION PROGRAMS TIED TO ORGANIZATIONAL VALUES ARE PERCEIVED TO OUTPERFORM OTHER PROGRAMS ON EVERY METRIC EVALUATED.

In 2016, 60% of organizations have a values-based recognition program, up from 50% in 2012.
Perhaps no other business function is under as much pressure as HR when it comes to justifying its spend. Fortunately, the HR leaders surveyed perceive values-based recognition programs as having a high return on investment when it comes to employee engagement, adding humanity to the workplace, reinforcing corporate values, and increasing employee happiness.

Since we started this survey in 2011, we've seen a steady increase in the number of organizations with values-based recognition programs—where employees are given recognition for specific actions that demonstrate a company's core values. In 2016, 60% of organizations have a values-based recognition program, up from 50% in 2012. Conversely, there has been a steady decrease in the number of organizations with recognition programs not tied to values, down to 21% this year from 27% back in 2012.

The trend toward values-based recognition programs is not surprising when you look at how HR professionals rate their employee recognition efforts. HR professionals with values-based recognition are nine times more likely to rate their program as excellent, compared to organizations with recognition not tied to values.
When it comes to the perceived impact of employee recognition programs on the organization, values-based recognition programs outperform other programs on every metric we evaluated. Survey results show that HR professionals with values-based recognition programs are more likely to report the following impacts:

- 32 percentage points more likely to deliver a strong return on investment
- 31 percentage points more likely to instill and reinforce corporate values
- 31 percentage points more likely to maintain a strong employer brand

The survey also shows greater perceived impacts on learning and development, sustainability, culture management, and financial results.

**PERCEIVED IMPACT OF EMPLOYEE RECOGNITION BASED ON THE LINK TO ORGANIZATIONAL VALUES**

<table>
<thead>
<tr>
<th>Impact</th>
<th>Tied to Values</th>
<th>Not Tied to Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positively impacts employee engagement</td>
<td>90%</td>
<td>73%</td>
</tr>
<tr>
<td>Instills and reinforces corporate values to employees</td>
<td>88%</td>
<td>57%</td>
</tr>
<tr>
<td>Adds humanity to the workplace (positive workplace culture)</td>
<td>88%</td>
<td>71%</td>
</tr>
<tr>
<td>Increases employee happiness</td>
<td>87%</td>
<td>73%</td>
</tr>
<tr>
<td>Improves employee relationships</td>
<td>86%</td>
<td>66%</td>
</tr>
<tr>
<td>Maintains a strong employer brand</td>
<td>80%</td>
<td>49%</td>
</tr>
<tr>
<td>Increases employee productivity</td>
<td>75%</td>
<td>52%</td>
</tr>
<tr>
<td>Retains employees</td>
<td>71%</td>
<td>54%</td>
</tr>
<tr>
<td>Delivers a strong return on investment</td>
<td>70%</td>
<td>38%</td>
</tr>
<tr>
<td>Positively impacts organization’s financial results</td>
<td>67%</td>
<td>41%</td>
</tr>
<tr>
<td>Provides data that helps in culture management</td>
<td>65%</td>
<td>38%</td>
</tr>
<tr>
<td>Meets sustainability or cost-control goals</td>
<td>62%</td>
<td>33%</td>
</tr>
<tr>
<td>Meets safety goals</td>
<td>61%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Note: n = 163-165 (not tied to values); 468-472 (tied to values). Responses are the percentage that indicated “Strongly agree” or “Agree.” All differences between values-based and nonvalues-based recognition are statistically significant.
Organizations that dedicate 1% or more of payroll to values-based rewards and recognition are more likely to perceive greater impacts on retention and financial outcomes.

Companies that spend 1% or more of payroll on recognition are nearly 3X as likely to rate their program as excellent.
Finding 2 showed that organizations that map recognition back to organizational values are far more likely to rate their program as excellent and see positive impacts on the organization. Next is the question of budget. How much of an organization’s total rewards budget should you dedicate to recognition to see results? Based on our 2016 survey, the answer is 1% or more of payroll. Companies that spend 1% or more of payroll on recognition are nearly three times as likely to rate their program as excellent (26%), compared to companies that spend less than 1% (9%). In contrast, companies that spend no budget on recognition are five times more likely to rate their program as poor, compared to companies that spend 1% or more.

**2016 EMPLOYEE RECOGNITION RATING BY RECOGNITION BUDGET AS A PERCENT OF PAYROLL**

- **Excellent**:
  - 1% or more: 26%*
  - Less than 1%: 9%†
  - No budget: 7%†

Note: Only respondents whose organizations had an employee recognition program were asked these questions. Percentages may not total 100% due to rounding. *Statistically significant difference compared with † within the same rating category.
Does budget amount change the perceived impact of values-based recognition? The survey results suggest it does. In fact, as budget level increases, HR professionals perceive greater impacts on nearly every metric evaluated.

By far the greatest impacts are reported from values-based recognition programs with a budget of 1% or more of payroll. HR professionals with values-based programs with this level of investment are 3.5 times more likely to say their program helps attract new job candidates, compared to programs with no budget; they are also nearly two times as likely to report it delivers a strong return on investment (88% v. 48%) and two times more likely to help retain employees (88% v. 44%).

VALUES-BASED RECOGNITION MORE IMPACTFUL WHEN 1% OR MORE OF PAYROLL DEDICATED TO THE PROGRAM

<table>
<thead>
<tr>
<th>Metric</th>
<th>1% or more</th>
<th>Less than 1%</th>
<th>No budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivers a strong return on investment</td>
<td>88%</td>
<td>48%</td>
<td>68%</td>
</tr>
<tr>
<td>Retains employees</td>
<td>88%</td>
<td>44%</td>
<td>70%</td>
</tr>
<tr>
<td>Attracts new job candidates</td>
<td>79%</td>
<td>45%</td>
<td>73%</td>
</tr>
<tr>
<td>Meets sustainability or cost-control goals</td>
<td>75%</td>
<td>56%</td>
<td>73%</td>
</tr>
<tr>
<td>Meets learning and development goals</td>
<td>73%</td>
<td>50%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Note: n = 256-257. Responses are the percentage that indicated “strongly agree” or “agree.” All differences between 1% of payroll or more and less than 1% of payroll or no budget are statistically significant.

HR professionals with values-based programs at 1% or more of payroll are 3.5 times more likely to say their program helps attract new job candidates.
AWARD-WINNING WORKPLACES ARE MORE LIKELY TO OFFER HUMAN WORKPLACE PROGRAMS.

Culture award winners are 20 percentage points more likely to focus on recognition & appreciation.
As organizations strive to create a positive employee experience, they're focusing on bringing more humanity into the workplace. We define a human workplace as one that fosters a culture of recognition and appreciation while empowering individuals, strengthening relationships, and providing a clear purpose aligned with achievable goals.

This 2016 survey finds that HR or the people/culture department is most likely to be focused on trying to create a more human workplace (86%), followed by business unit leaders and managers (57%), and senior leadership or executive teams (52%).

### WHICH DEPARTMENTS ARE ACTIVELY TRYING TO CREATE A MORE HUMAN WORKPLACE?

- **HR or People/Culture Department**: 86%
- **Business unit leaders and managers**: 57%
- **Senior leadership or executive teams**: 52%
- **Individual employees**: 46%
- **None of the above**: 2%

Note: n = 747. Percentages do not total 100% due to multiple response options.

The top three programs used to create a human workplace are health and wellness, learning and development, and recognition and appreciation.
We also asked which programs HR leaders and practitioners are using to create a more human workplace. The top three programs are health and wellness (81%), learning and development (80%), and recognition and appreciation (76%).

Do these human workplace programs have an impact on the business? The survey results suggest that they do.

In the survey, HR leaders were asked if their organization had received an award for workplace culture or programs in the past three years. The data show that those who win culture awards are 20 percentage points more likely to focus on recognition & appreciation, 29 percentage points more likely to focus on corporate citizenship or charity, and 28 percentage points more likely to focus on diversity and inclusion.

HUMAN WORKPLACE PROGRAMS OFFERED BY ORGANIZATIONS

<table>
<thead>
<tr>
<th>Type of Programs</th>
<th>Prevalent in Organizations That Receive Workplace Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health &amp; Wellness</td>
<td>81%</td>
</tr>
<tr>
<td>Learning &amp; Development</td>
<td>80%</td>
</tr>
<tr>
<td>Recognition &amp; Appreciation</td>
<td>76%</td>
</tr>
<tr>
<td>Corporate Citizenship or Charity</td>
<td>52%</td>
</tr>
<tr>
<td>Diversity &amp; Inclusion</td>
<td>50%</td>
</tr>
<tr>
<td>Work/Life Balance</td>
<td>47%</td>
</tr>
<tr>
<td>Mentoring</td>
<td>39%</td>
</tr>
<tr>
<td>Sustainability</td>
<td>39%</td>
</tr>
<tr>
<td>Play &amp; Fun</td>
<td>31%</td>
</tr>
<tr>
<td>Meditation &amp; Mindfulness</td>
<td>16%</td>
</tr>
</tbody>
</table>

Note: n = 245 (received award)

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Note: n = 679. Percentages do not total 100% due to multiple response options.

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AS ORGANIZATIONS EVALUATE THEIR PERFORMANCE MANAGEMENT PROCESSES, **COACHING IS SEEN AS VERY IMPORTANT**.

71% of HR professionals said coaching was either very or somewhat important.
Research from Corporate Executive Board (CEB) has shown that the average manager spends more than 200 hours a year on activities related to performance reviews (the equivalent of 25 business days—nearly a month of work). When these hours are added to the cost of performance management technology, CEB estimates that a 10,000-employee company spends about $35 million per year on reviews.4

The bottom line is that there’s a lot of time and money that goes into the process. So how effective is it?

While many HR professionals surveyed told us they still conduct annual reviews, 40% said they do not think their organization’s performance reviews are an accurate appraisal of employees’ work. And although 41% believe they are an accurate appraisal, this has declined from 50% in 2013. Another 19% admit that they aren’t sure if their performance reviews are accurate, up from just 6% in 2013.

**Are your organization’s performance reviews an accurate appraisal of employees’ work?**

| Yes | 41% |
| No  | 40% |
| Not sure/don’t know | 19% |

Note: Only organizations that conduct performance reviews were asked this question. Percentages may not total 100% due to rounding.
Some annual performance reviews may be missing the mark, but the 2016 survey shows that coaching is an important piece of turning performance management into an ongoing conversation as opposed to a once-a-year meeting. To that point, 21% of HR professionals told us that coaching is directly tied to employee performance, while 45% said coaching is “very important” at their organization.

HR professionals have an opportunity to “coach the coaches,” and provide people managers with solutions that capitalize on in-the-moment coaching moments—crowdsourced across the organization—through positive reinforcement.

The 2016 survey asked HR leaders whether their organization has a system that prompts managers to coach employees—only 56% of them say they do. When asked whether they think managers need training on how to coach employees, a resounding 93% say yes.

### Importance of Formal or Informal Coaching of Employees

<table>
<thead>
<tr>
<th>Importance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coaching is directly tied to performance management</td>
<td>21%</td>
</tr>
<tr>
<td>Very important</td>
<td>45%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>26%</td>
</tr>
<tr>
<td>Not very important</td>
<td>8%</td>
</tr>
</tbody>
</table>

Note: n = 677
CONCLUSION

In this research report, we looked at the business impact of recognition programs. We found that the most effective programs—the ones that reportedly deliver a return on investment, maintain a strong employer brand, and retain employees—are values-based recognition programs. And when these programs are funded with 1% or more of payroll, organizations observe even greater returns.

It’s clear that business-savvy HR professionals are realizing the benefits of values-based recognition. Appreciation and recognition are also core to many companies’ efforts in building a more human workplace—one that empowers individuals, strengthens relationships, and provides a clear purpose aligned with achievable goals. We found that those organizations focusing on the employee experience are more likely to win workplace culture awards, giving them a competitive edge in attracting talent that has more options than ever before.

At the same time, we see the pillars of human capital management crumbling. Traditional performance management practices are failing to deliver on exactly what they’re meant to do—measure and motivate employees. As HR professionals look to bring more humanity into the performance management process through check-ins and ongoing conversations, they can leverage recognition programs to create coaching cultures within their organizations.
ABOUT THE SURVEY
The findings for this report were based on the SHRM/Globoforce Employee Recognition Survey which was commissioned by Globoforce and conducted by SHRM from April 25 to May 22, 2016, and is the sixth deployment in a series of surveys since its launch in 2011.

This edition of the survey was sent to randomly selected SHRM members at a manager level or above. The final sample of the survey was comprised of 798 HR professionals who are employed at organizations with a staff size of 500 or more employees.

The survey had a response rate of 13 percent and a margin of error of ±4 percent. Results include responses from organizations in the United States across a wide range of business to business and business to consumer industries.

ABOUT GLOBOFORCE®
Globoforce is a leading provider of social recognition solutions, helping companies build stronger, more human cultures through the power of thanks. Named one of the Best Workplaces by the Great Place To Work® Institute, Globoforce is trusted by some of the most admired companies in the world to inspire and energize employees and create best places to work. Our award-winning SaaS technology and proven methodologies empower HR and business leaders to take a modern, more strategic approach to recognition programs. What results is measurable business success, quantified by increases in employee engagement, retention and productivity. The company pioneered the WorkHuman movement, created to galvanize organizations and leaders worldwide to create a more human workplace. Globoforce is co-headquartered in Southborough, Mass., and Dublin, Ireland.

ABOUT THE WORKHUMAN® RESEARCH INSTITUTE
The WorkHuman Research Institute at Globoforce is dedicated to the understanding and application of global workplace practices that create more engaged, productive, and ultimately more human work cultures. In collaboration with leaders in the human resource industry and global research experts, The WorkHuman Research Institute publishes original research on current trends that affect and influence the employee experience, culture management, and leadership.

Sources

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