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2010 Recognition RX: Engaging Employees For Economic Recovery

So, Where Are We Anyway?

In August of 2009, the U.S. jobless rate climbed to the highest rate since 1983 signaling that, for the first time since the Great Depression, there was almost no increase in private-sector jobs. Firms have cut wages, benefits and work hours.The words "employee performance review," are more ominous than ever as skeptical employees view sessions as gateways to more work, less pay and an even greater chance for losing their jobs (Kenneth Randall, Regional Vice President, Administaff, *Corp!* Sept. 17, 2009.) Against this unsettling backdrop, the importance of employee engagement has become critical. Smart business leaders know that the skills and attitudes of their employees can be the very thing that sets them apart from the competition. So, is it any wonder that today's executives and HR professionals are seriously examining what they can do to better motivate employees through the recovery?

The strength of a Recognition & Rewards (R & R) program is that it can directly address an urgent need to drive performance and to ensure that everyone is working to meet the right goals. Yes, some budgets have been cut and activities curtailed, but many programs have survived, as increasing evidence demonstrates the direct correlation between employee recognition, employee engagement and employee performance. Studies by the Incentive Federation have shown that individual employee incentives can improve performance by as much as 27 percent and that team incentives can lead to as much as a 45 percent improvement in performance. Without question, incentive programs can and should survive hard economic times because they work. They have low initial costs, can be targeted to specific audiences, have flexibility, inspire employee performance, and can be measured for results.

In a recent global study, Hay Group Insight collected data from 41 organizations and over 1 million employees worldwide. These companies used employee engagement strategies, including recognition and rewards. After comparing the results of employee opinion surveys conducted in late 2008 or early 2009 with survey results from the same clients taken prior to the downturn, Hay Group found that more than 75 percent of these organizations realized improvements in their survey scores regardless of the economic downturn.

Point of View

The turbulent nature of the current economy has left business leaders and HR professionals unsure about what is the "new normal" in employee recognition.

Many companies have experienced layoffs, uncertainty, and reductions or freezes to benefits and salaries, making recognition and rewards critical components to stabilizing the workforce and providing encouragement for the remaining workers going forward.

Evolving recognition and reward budgets, however, raise major questions:

- *What budget is appropriate and/or necessary in the new economy?*
- *What are the program goals and how do they affect budget allocation?*
- *How should programs and budgets be constructed for maximum impact?*

As 2010 business plans and budgets are created, it is essential to consider these issues and to ensure that employee engagement going into the recovery is leveraged to favor increased growth and contribute to the health of the entire organization.

By emphasizing employee engagement factors, these companies have been able to increase organizational commitment levels and employees' satisfaction with their job roles. Notably, employees in these companies also show an increased willingness to contribute discretionary effort. (Downloaded from www.haygroup.com/ww/Press, Sept.17, 2009.)

Companies who value their human capital and actively engage their employees in the business can get results--even in a negative economic climate. What business leaders and HR professionals must do now is to look beyond the economic realities of the last two years and aggressively create recovery plans and budgets for 2010 that underscore the value of employee contributions by leveraging the power of recognition and rewards programs to help drive the performance readiness that emerging opportunities require.

Economic Reality Drives Changes

Despite the downturn in the economy, most companies still spend about $40 per recognition award. (Hands Off the R&R Programs! Carol Patton, *Human Resource Executive*, July 1, 2009.) They realize that by keeping their focus on employee engagement, especially during a recession, they can help maintain employee motivation. Studies show that employee engagement scores account for up to 50 percent of the variance in customer service scores and that disengaged employees are over 85 percent more likely to leave. (Eight Ways to Engage Employees and Power-Up Performance During a Recession, Roxanne Emmerich, *Associated Content*, downloaded Aug. 26, 2009.)

Peter Hart, CEO of Rideau Recognition Solutions, reminds us:

> *The economy is starting to show signs of recovery, and the downturn will eventually end. But one thing will not: the global talent crisis. A surprising number of companies…are taking advantage of the current recession to prepare for the day when the labor market starts to tighten up. Forward-looking companies are using this time to review their recognition strategies and policies. They might not have the money to implement their ideas today, but they are laying the groundwork for the day when their budgets do loosen up.* (*Ask the Experts - Incentive Magazine*, July 27, 2009.)

In light of the benefits, many wise leaders and their Human Resource advisors have made R & R programs an integral part of their organization's strategic business plan but, in some cases, the recent economic reality has driven changes in approach:

- **In some industries, budgets have been reduced:**
  - International travel has often been reduced or shifted to domestic destinations.
  - Merchandise award values have decreased.
  - The number of participants and/or frequency is smaller.
- **Strategies have changed:**
  - Awards must not appear to be extravagant.
  - ROI measurements have been redesigned.
  - More attention is being paid to program design and goals.
  - Reduced sales bonuses are awarded more often to more adequately forecast sales.
  - There is a growing desire to reach more employees for bigger performance impact.
- **Employee retention and compensation are being re-examined:**
  - Relocation expenses are no longer guaranteed.
  - Attracting and retaining high performers is becoming an increasing concern.
  - Employees often need more motivation to perform in the face of layoffs and salary freezes.

Ten years ago, HR would have been very uneducated about the science behind this [rewards and recognition]….We've just seen an awakening of what it actually takes to change a culture. Sometimes a recession or slowdown can accelerate this movement. (Eric Mosley, CEO, Globoforce, Hands Off the R&R Programs! Carol Patton, *Human Resource Executive*, July 1, 2009.)

What To Do In 2010?

Some companies are currently questioning whether or not they should reduce or suspend their recognition and rewards programs until after the economy completely turns around. At the same time, leaders and HR professionals struggle with the issue of what exactly is appropriate under the current circumstances. The reality is that employers should be planning right now for the recovery rather than waiting for it to be fully in place before they take action. By planning for the appropriate recognition and rewards programs, companies will be better positioned to achieve success when the right opportunity appears and they must count on a well-established standard of the very best performance by every member of their team. In the current business climate, anything less than best performance will not be enough to beat the competition and to increase revenue. Recognition and rewards programs are powerful tools to help ensure an environment that fosters achievement.

Our current economic environment also means that many employees feel they are holding on to their jobs any way they can. If they are dissatisfied and feel they have been mistreated, they may bolt at the first sign of improvement. A recent Saratoga Institute study showed that poor communication and a lack of recognition were the top reasons why good people left their organizations. And, of course, once the economy picks up, so will the opportunities for good people to move. Talented employees aren't waiting for things to improve to look elsewhere. The poor economy is not keeping dissatisfied employees from looking for new jobs, according to the Labor Day edition of recruiting and staffing firm Adecco Group North America's American Workplace Insights Survey.

Because as much as 85 percent of a company's total assets are created by its investment in human capital, it is even more critical — in a post-recessionary economy — to engage every employee in the long-term success of the company. Smart business leaders and their advisors would be wise to focus on two goals in 2010:

1. Getting the best out of their people;

2. Retaining top talent as the job market defrosts.

Start With a Sound Strategy

Recognition and rewards programs that do not align with overall corporate strategies are usually looked at as an expense instead of an investment. These programs often can't be justified because they lack an underlying recognition strategy. Without a business-focused strategy, there is very little to defend and so these programs often are the first things to be eliminated in tough times.

Jim Dittman, President of Dittman Incentive Marketing, outlined the basic steps to a sound strategy for incentive program construction in his article about The "C" View of Incentive Program ROI this way:

1. **Define objective(s) quantitatively.**
2. **Convert to rules that drive measurable behaviors to the objective(s).**
3. **Communicate and promote with frequency and flair.**
4. **Adjust qualifications to a changing competitive landscape.**
5. **Do final impact and ROI/ROO analyses.**
6. **Deliver the dream as promised to ensure the success of future programs.**

(*Corporate Incentive Travel*, July, 2009)

A well-devised recognition strategy will ensure the program ties directly into the corporation's business objectives, mission, vision and values. When your recognition strategy is linked to corporate objectives, it is much easier to defend and keep, as well as deliver a better overall result. Senior management will always try to cut expenses, but they will also defend investments they believe will help grow the business and deliver profits to shareholders. Having a well-defined recognition strategy makes it much more likely that someone in the C-suite will act as your recognition champion. (P. Hart, *Ask the Experts - Incentive Magazine*, June 19, 2009.)

It's important that we build the foundation of a (recognition and reward) program on the right set of goals for the company and for those you're attempting to motivate and reward. (Michelle M. Smith, Vice President, Business Development, O.C. Tanner - *Ask the Experts – Incentive Magazine*, June 19, 2009.)

Determining How Much to Spend

Begin by determining exactly what it is you wish to accomplish. Do your challenges involve the entire workforce or just certain departments or geographical locations? Can the root causes of these issues be traced to attracting and retaining the right talent or is it the result of a lack of alignment between what employees should be doing and what's actually occurring?

This is the point where incentive and recognition professionals can help you establish a program that will achieve your goals. They have the training and experience to offer the assistance you need to design, or modify, a program to meet your goals and budget. They can help you look closely at your business objectives and how they relate to the group that you are trying to motivate. Next, they can help you analyze what you have done in the past and assess its value in the current business context.

O.C. Tanner's Vice President of Business Development, Michelle Smith, suggests that celebrating employee service milestones can help you retain and attract best-in-class talent. Best practices suggest investing $20 - $50 per year of service for awards, which are typically given every five years. A modest "welcome" gift is a powerful way to bond with employees during those highly impressionable first days on the job. If you've been especially vulnerable to resignations at specific year levels, awards at those additional benchmarks could further reduce your turnover.

Smith says:

> *Whenever there's a disconnect between job expectations and actions, a performance recognition program may be the answer. Its flexibility makes it a powerful tool in clearly defining and rewarding the individual or team behaviors and results that are needed to advance corporate goals. You can apply it company-wide with broad goals or target it to individual departments to achieve specific goals, such as reducing workplace accidents or improving customer service scores. Plan to spend $150 - $500 per person per year, or 2-3 percent of payroll.* (*Ask the Experts – Incentive Magazine*, Sept. 2009.)

In another article, Smith counsels us to keep in mind that most non-cash awards can generate significant savings because the perceived value of non-cash awards can be as much as 30 percent higher than what you would actually pay for those awards. Recognition and incentive professionals work hard to design programs that feature awards with high perceived value so that you can get maximum impact on your award investment, or spend less without compromising your program. (*Ask the Experts – Incentive Magazine*, June 19, 2009.)

Just as many different factors drive your employee performance (or lack of performance), there are many ways to build an effective recognition program to drive results. A recognition professional can help to create a program to maximize the effect of the initiative by targeting the communications and investment directly at the audience you need to reach.

Once you have designed your program and established a budget, the following table is a suggested way that you can expect to allocate the dollars within your program.

Program Components	Average Percent of Budget Allocated
Awards	65-70%
Administration	10-15%
Communication	15%
Measurement	5%

(Michelle M. Smith, Vice President, Business Development, O.C. Tanner - *Ask the Experts – Incentive Magazine*, Oct. 2009.)

Michelle Smith explains that since the research finds that the level of engaged and satisfied employees correlates to the realization of engaged and satisfied customers, you can maximize both program benefits with one budget by devoting all your budget dollars this year towards optimizing employee recognition. You'll continue to enjoy the benefits of your engaged workforce, while they continue to care for your clients in a way that will engender customer loyalty. It's a proven and strategic approach to a challenging situation that should serve you well until the economy turns around. (*Ask the Experts – Incentive Magazine*, Feb. 18, 2009.)

Dollars Are Not the Only Way

Most employees want to do a good job. They also want to feel that they make a difference and are valued for their efforts. Regardless of your situation, be sure that you take the time to determine what your workforce truly needs to feel valued, aligned and engaged. Keep in mind that employee performance is often tied more to personal factors than anything else…..things like:

1. Appreciating people for their individual talents, skills and diversity of thought.
2. Creating an atmosphere that fosters good relationships at all levels.
3. Really listening to what employees have to say.
4. Recognizing accomplishments with timely recognition — even if it's only a "thank you."
5. Outlining clear performance expectations.
6. Celebrating successes as they occur.
7. Sharing ownership for goals and achievements.

As Stanford Graduate School Professor Jeffrey Pfeffer, a global authority on organizational behavior, tells us:

> *We know very well that recognizing, rewarding, and showing appreciation to your people for loyalty, for performance, for innovation, for taking care of customers is absolutely critical. Who doesn't like to be told thank you? Who doesn't like to know that their work is having an impact if somebody they care about notices that and has taken the time and effort to say thanks and show them in some demonstrable way how important their performance is to the organization?* (Keynote address, *O.C. Tanner Executive Recognition Summit*, 2008.)

Recognition programs can range from things as simple as praise to items as extensive as an individual or group travel program. The important factor is that the awards need to be given to the employee in direct correlation to a desired behavior or activity.

Begin With the End in Mind

In the best of all worlds, organizations need to apply a multi-pronged approach that leverages the benefits of employee engagement built on a sound system of easily understood goals, structured talent development, and appropriate rewards and recognition. But, regardless of having the perfect human capital development structure, the power of using rewards and recognition prevails.

As Tom Miller, President of The Miller Company, points out:

- Employees who feel valued and trusted are more productive.
- Employees who understand their company's reason for existing are more engaged.
- High performing employees will leave places that do not value their contributions.

(Recognition – The Shift from Programs to Systems, The Miller Company website, Aug. 2007.)

The reality is that, as you recognize and reward your employees, they will reward the company by positioning it for long-term success. Begin today by committing to a strong employee performance management program that values all contributions, big and small, to the company's success and rewards excellence. If you need assistance, you need only look to your HR professionals and their recognition and incentive industry partners for help in designing the program that will bring you returns as you move forward in a post-recession economy.

Employee performance motivation programs, when used as a component of an overall approach that values employees, can dramatically improve employee engagement and job performance and, in the end, will positively impact business results. They should be a part of every sound business strategy for 2010 — and in the years ahead.

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This white paper was produced by the **Recognition Council**, a strategic industry group within the Incentive Marketing Association (**http://www.incentivemarketing.org**). The Council's purpose is to provide an awareness of how recognition and rewards, in their many forms, are part of an effective strategy for achieving better business performance. The Council's focus is to educate and promote the benefits of recognition and rewards to the worldwide business community. More information about the Recognition Council is available at **www.recognitioncouncil.org**.