

SHRM / GLOBOFORCE

Employee Recognition Survey

WINTER 2012 REPORT

THE IMPACT OF RECOGNITION
ON EMPLOYEE ENGAGEMENT AND ROI



EXECUTIVE SUMMARY

For the vast majority of companies, the ability to compete and win in the marketplace is contingent on the talent and performance of its workforce. Today's HR leaders continually seek new, innovative, and proven ways to foster strong company cultures necessary to elevate employee engagement, boost productivity, and increase employee retention.

The purpose of this report is to better understand how companies are using HR technologies to address their talent and what strategies are most effective.

Twice a year, Globoforce®, the leader in employee recognition, conceives and commissions a survey with the Society of Human Resource Management (SHRM®), the world's largest association devoted to human resource management. The survey is designed to assess workforce challenges, strategies, and opportunities from the perspective of people managers and HR professionals.

The Winter 2012 survey examined:

- ✦ **What engagement practices and strategies are implemented in today's leading companies**
- ✦ **How the alignment of company core values with employee recognition impacts engagement and appreciation levels**
- ✦ **What HR strategies are most effective in delivering maximum return on investment (ROI) and bottom-line results**

In total, 770 HR leaders responded to the survey and shared their practices and perspectives on recognition, engagement, and core values. Here are the five most critical findings:

Finding #1: Employee engagement tops the list of HR challenges. Employee engagement is the foremost human resources issue for HR leaders, yet only a minority tracks it. Those that do measure engagement see higher levels of workforce satisfaction.

Finding #2: Performance management remains stuck in neutral. Annual performance reviews continue to under-serve the needs of many HR leaders, opening the door for more feedback-rich technologies.

Finding #3: Recognition programs fill the feedback and appreciation gap. Employee recognition offers HR leaders a new way to evaluate performance year-round. The result is higher levels of employee engagement and appreciation.

Finding #4: Recognition programs have an observed positive impact on business results. Employee recognition is building the business case for HR leaders, as a majority of respondents say it improves key HR and business metrics.

Finding #5: Recognition aligned with core values leads to more effective managers. Values-based recognition programs designed to reinforce desired behaviors continue to be a key component of effective, successful recognition programs. The result is higher levels of employee satisfaction.

ABOUT THE SURVEY

The SHRM/Globoforce Employee Recognition Survey was commissioned by Globoforce and conducted by the Society for Human Resource Management (SHRM) from December 22, 2011, through January 12, 2012. This is the second deployment of the semi-annual survey since its launch in June 2011.

This edition of the survey was sent to 6,000 SHRM members at manager level or above. The final sample of the survey was composed of 770 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 13 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

Founded in 1999, Globoforce is the world's leading provider of employee recognition solutions. Through its social, mobile, and global technology, Globoforce helps HR and business leaders elevate employee engagement, increase employee retention, manage company culture and discover the power of real-time performance management. Today, employees across the world are living their company values and achieving peak performance through the SaaS-based Globoforce platform. A private corporation, 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.

FINDING #1:

EMPLOYEE ENGAGEMENT TOPS THE LIST OF HR CHALLENGES

Employee engagement remains the primary issue facing companies today. According to our survey, 94 percent of respondents say employee engagement is an important or very important workforce challenge they currently face. Of these, 63 percent rate it as very important.

Why is employee engagement so important? According to numerous industry studies, higher levels of engagement translate to increased profits. In fact, a study by Towers Watson found that a 15 percent increase in employee engagement correlates to a two-percent increase in operating margin. Today's HR leaders have an opportunity to make a strong impact on business growth by addressing employee engagement.

Yet, according to survey results, only 42 percent of respondents currently track employee engagement levels (Figure 2). This represents a missed opportunity to get an actionable assessment of employee attitudes and behaviors. Measuring engagement levels can help HR leaders determine the right HR strategies and technologies to make an impact on their workforce.

Examining engagement tracking by company size, the survey results show larger companies are more likely to measure employee engagement than smaller ones (65 percent vs. 30 percent). This is likely due to resource limitations in smaller organizations to dedicate to measurement and reporting on these types of programs.

We also asked HR leaders about the methods they use to track employee engagement levels. While 66 percent use vendor-administered employee engagement tools, a surprising 65 percent use employee exit interviews as one of the ways they measure engagement. If employee retention is one of the top HR challenges (as shown in Figure 1), then this shows HR leaders they need to address engagement before key talent walks out the door.

Lastly, we looked into the benefits of measuring engagement. Survey results indicate a more proactive approach to engagement leads to higher levels of workplace satisfaction and bottom-line results.

Among companies that do measure engagement (Figure 5), more employees are rewarded according to job performance (69 percent vs. 49 percent) compared to companies that do not measure engagement. In addition, more managers acknowledge and appreciate employees (56 percent vs. 46 percent), while more employees are satisfied with their levels of recognition (37 percent vs. 23 percent).

FIGURE 1.
Please rate the importance of the following workforce management challenges that your organization is currently facing:

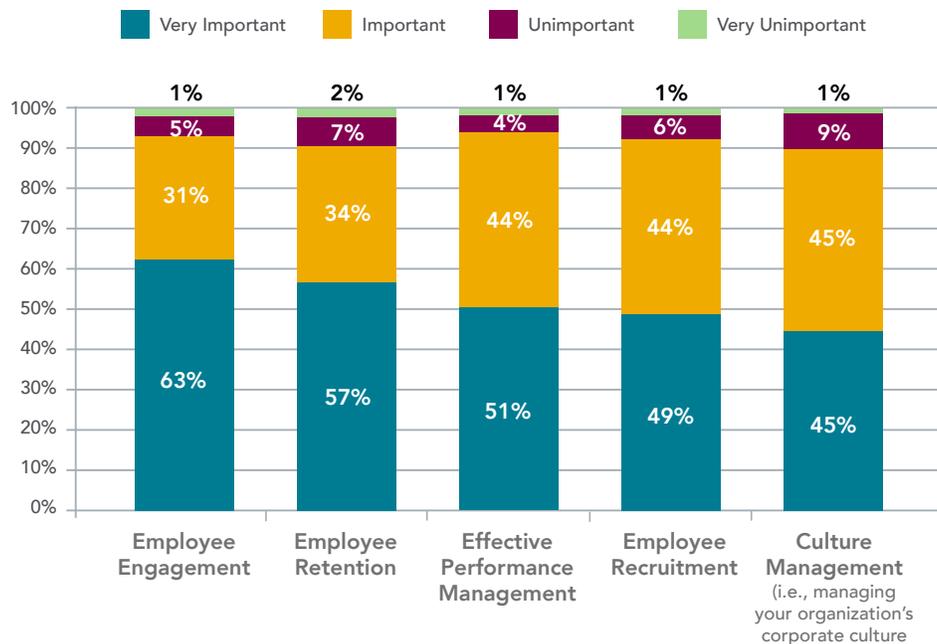


FIGURE 2.
Does your organization track employee engagement levels?

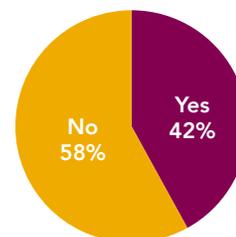


FIGURE 3.
Percent of companies (by size) that track employee engagement

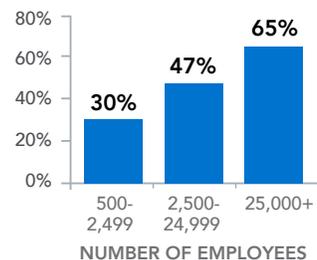


FIGURE 4.
How do you track employee engagement levels at your organization? (check all that apply)

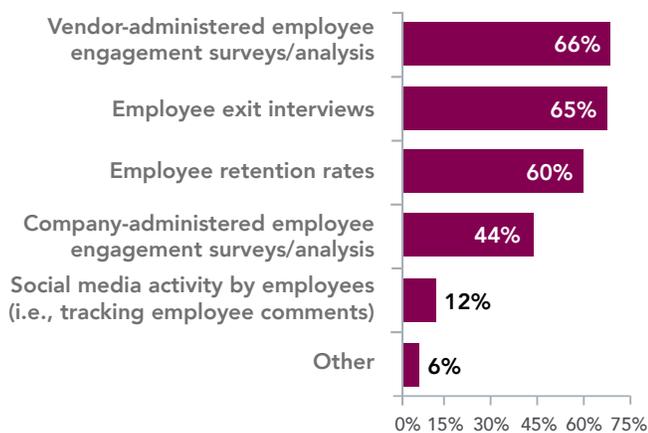


FIGURE 5.
Tracking employee engagement results in more effective people management practices





Study after study has shown that higher engagement levels generate higher profits, higher sales, higher customer loyalty and above average productivity (Gallup). And the more celebratory ‘in the moment’ moments for employees aligned with traditional performance management moments, the greater the recognition and improvement loops.

—KEVIN GROSSMAN,
#1 RANKED DIGITAL
INFLUENCER BY
HR EXAMINER

FINDING #2:

PERFORMANCE MANAGEMENT REMAINS STUCK IN NEUTRAL

While performance management remains one of the top issues for HR leaders, companies continue to struggle with solutions to address it.

Nearly all (95 percent) of survey respondents report effective performance management as an important/very important challenge in 2012 (Figure 1), yet many of these same HR professionals are facing the reality of a traditional annual performance review system that doesn't work. In fact, only 55 percent of respondents think annual performance reviews are an accurate appraisal for employees' work at their organization (Figure 6), trending down from the 61 percent reported in June 2011 (SHRM/Globoforce Employee Recognition Survey, Summer 2011).

FIGURE 6.

Respondents answering “yes” to the following questions:

	January 2012	June 2011
At your company, are people rewarded according to their job performance?	58%	56%
Do you think the annual performance reviews are an accurate appraisal for employees' work?	55%	61%

Lack of ongoing feedback from multiple sources is often cited as one of the biggest challenges with the current annual approach to reviews. Conducting ongoing performance assessments with real-time feedback remains an opportunity for companies to manage and improve engagement, motivation, and productivity throughout the year.

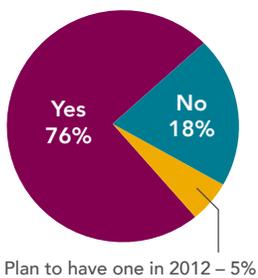
This need by both HR leaders and employees opens the door for more feedback-rich technologies, such as social employee recognition. Gartner, for instance, “expects to see tighter integration between recognition systems and talent management applications.”¹ These systems round out the annual appraisal with more frequent, genuine feedback given throughout the year.

¹Reach Peak Performance Through Employee Engagement, Gartner, 17 January 2012

FINDING #3:

RECOGNITION PROGRAMS
FILL THE FEEDBACK AND
APPRECIATION GAP

FIGURE 7.
Does your company
have an employee
recognition program?



The move to more-frequent, ad hoc rewards and recognition programs, with less dependence on the more-formal annual performance appraisal and focal review, will drive the next level of benefits from EPM solutions.

—JIM HOLINCHECK,
MANAGING VICE
PRESIDENT, GARTNER

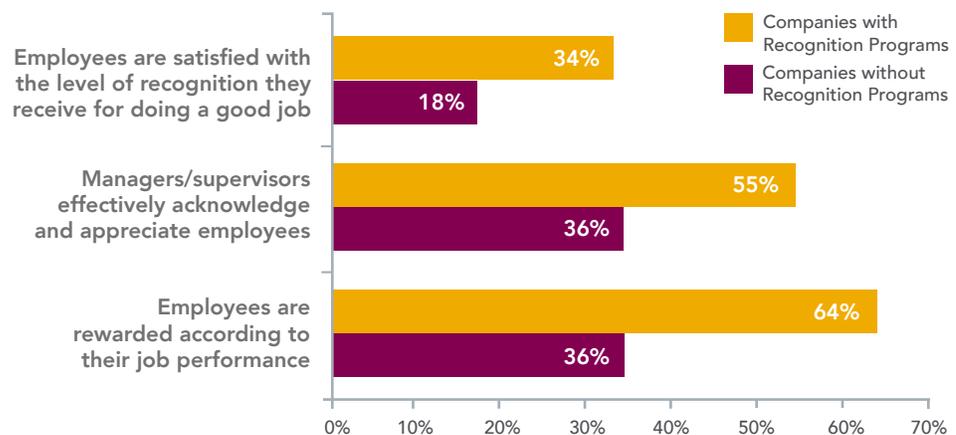
More than three-quarters (81 percent) of responding organizations offer recognition programs (Figure 7). Employee recognition, when done strategically, can round out the employee feedback loop by giving visibility into the true impact and influence of employees' performance across the organization.

Employee recognition gives HR leaders a new way to evaluate performance year-round. Through a more frequent and informal assessment in the form of recognition from managers and peers alike, managers and employees both gain a more collective approach to feedback. This results in higher levels of employee engagement and appreciation due to more fairness and transparency.

In fact, survey respondents in organizations with employee recognition programs say their managers are more effective in acknowledging and appreciating employees (55 percent vs. 36 percent – Figure 8).

These same respondents also have more employees who are rewarded according to job performance (64 percent vs. 36 percent of those companies without recognition programs).

FIGURE 8.
Companies with recognition programs vs. without recognition programs
(Answering "yes")



FINDING #4:

RECOGNITION PROGRAMS HAVE AN OBSERVED POSITIVE IMPACT ON BUSINESS RESULTS

FIGURE 9.
Does your organization track the return on investment (ROI) of its employee recognition program?

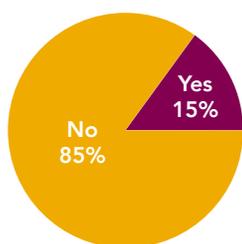


FIGURE 11.
Elements that have been observed to increase as a result of the implementation of an employee recognition program



One of the most common misconceptions about employee recognition is that it's a "warm and fuzzy" program without proven return on investment (ROI). However, as the survey results demonstrate, this is far from true.

While only 15 percent of respondents track the ROI of their programs (Figure 9), those that do track it experience significantly higher levels of manager effectiveness and employee appreciation levels (Figure 10).

When we asked whether employees feel rewarded according to job performance, 90 percent of companies that track employee recognition program ROI answer in the affirmative versus just 59 percent of companies that do not track the ROI.

FIGURE 10.

Respondents answering "yes" to the following questions:

	Track the ROI of its employee recognition program	Do not track the ROI of its employee recognition program
Do you think employees at your organization are rewarded according to their job performance?	90%	59%
Do you think managers or supervisors at your organization effectively acknowledge and appreciate employees?	76%	51%
Do you think employees at your organization are satisfied with the level of recognition they receive for doing a good job at work?	55%	30%
Do you think the annual performance reviews at your organization are an accurate appraisal of employees' work?	73%	53%

Today's recognition programs, when implemented strategically, are among the fastest and most effective ways to make quantifiable impacts on key HR metrics.

According to the survey, more than half of respondents say they observed that productivity, customer/employee retention, employee engagement, return on profit margin, and return on equity increased as a result of employee recognition programs. The results suggest that employee recognition can have a direct impact on business results. This insight can help HR leaders make a stronger business case for a recognition program, as they will be able to directly correlate the program to metrics that are meaningful to the business.

FINDING #5:

RECOGNITION ALIGNED WITH CORE VALUES LEADS TO MORE EFFECTIVE MANAGERS

Company core values have historically been one of the most under-leveraged elements for companies and their cultures. Far too often, the values are hung on a plaque on the wall without any platform or strategy to instill them throughout the organization.

However, as the survey results show, HR leaders are now seeing the opportunity to proactively manage the adoption of these values using social employee recognition programs. The vast majority (76 percent) of HR leaders agree or strongly agree that the employee recognition program at their organization is aligned with the overall company values (Figure 12). Organizations that base their recognition programs on their core values see tremendous benefit, as they are reinforcing these values and associated behaviors in the daily work of employees.

Companies that align recognition with core values also have more employees who are satisfied with how their performance is measured and more managers who are effectively appreciating employees. Of those organizations with values-based recognition programs, 76 percent report employees are rewarded according to their job performance while 65 percent say managers or supervisors effectively acknowledge and appreciate employees (Figure 13).

FIGURE 12.
Do you agree or disagree that employee recognition at your organization is aligned with your organization's overall company values?

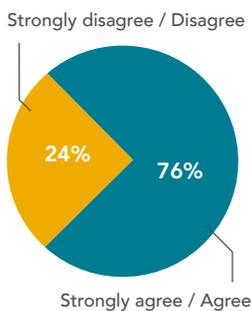
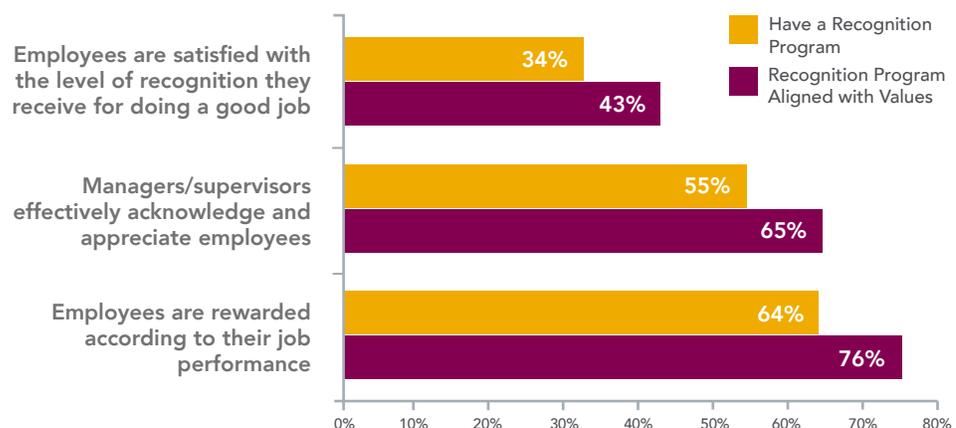


FIGURE 13.
The impact of core values on appreciation, performance, and satisfaction levels (Answering "Yes")



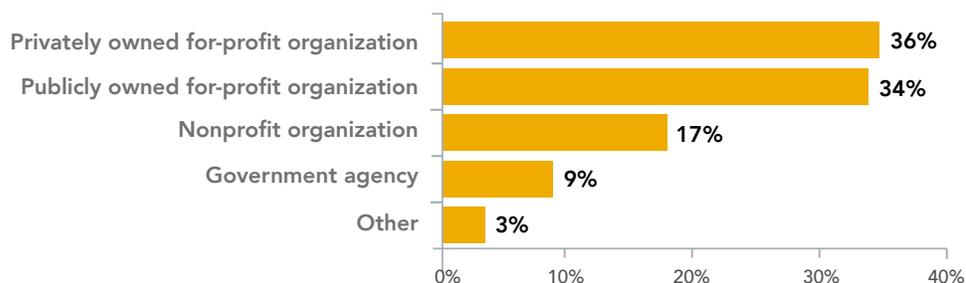
CONCLUSION

While some industries encounter skills shortages, others battle for talent in hard-to-fill technology positions. However, no matter the industry, the primary challenge remains the same: how to engage and retain employees.

In the 2012 SHRM/Globoforce Employee Recognition Survey, we examined what HR professionals are doing to manage their talent and what engagement strategies are most effective. From the 770 respondents, we uncovered the following five findings:

1. Engagement continues to be the top HR challenge. However, only a minority of companies actively make it an active part of their HR program. The majority are missing out on higher employee satisfaction levels.
2. Traditional performance management processes are still keeping HR professionals behind. The once-a-year review lacks the ongoing feedback mechanism that employees crave.
3. Employee recognition fills this feedback need by providing a new wisdom of crowds approach to performance reviews.
4. Recognition helps HR leaders justify its cost by making a quantifiable impact on key business metrics.
5. Aligning recognition with core values helps managers be more effective by showing them the right way to appreciate employees' work and reinforce desired behaviors.

Company breakdown



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

U.S.-based operations only 52%

Multinational operations 48%

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

Single-unit company: A company in which the location and the company are one and the same 15%

Multi-unit company: A company that has more than one location 85%

HR department/function for which you responded throughout the survey

Corporate (company-wide) 53%

Business unit/division 24%

Facility/location 23%

Are HR policies and practices determined by the multi-unit corporate headquarters, by each work location, or both?

Multi-unit headquarters determines HR policies and practices 39%

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 59%

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