

# NEXT-LEVEL EMPLOYEE RECOGNITION

September, 2014

If you're invested in recruiting and retaining top talent, you need to learn the art of appreciation. Top-performing organizations better understand the importance of this, so it's no surprise that the adoption of employee recognition programs is growing. The key, however, to next-level employee recognition is empowering peers to lead each other.

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The use of formal employee recognition programs is growing: 67% of Best-in-Class companies invested in a formal recognition program in 2013, compared with 58% back in 2012.

Top companies understand that recruiting high potentials and retaining high performers requires a commitment to sponsoring a quality, welcoming and engaging work place. Throughout this paper we'll explore the importance and impact of mirroring such organizations and determine how to establish a Best-in-Class recognition program.

One way that businesses respond to this need is by recognizing and rewarding employees when they are successful or model exceptional behaviors. As mentioned above, an increasing percent of top-performing companies are doing just that - investing in a formal recognition program. In fact, the overall adoption of formal recognition programs by businesses has grown by 16% in just one year (2012-2013). The ability to distinguish and praise productive members of the workforce can be a major differentiator when it comes to employee engagement and, in turn, the success of any business.

It shouldn't come as a surprise that employees who feel supported and recognized for their quality of work are more likely to be happier with their jobs on an ongoing basis. Recognition goes hand in hand with engagement, but businesses must prioritize recognition if they hope to make the most of it. Companies believe that employee recognition is the second most critical element to engage employees (36%), after direct interaction with their managers, at 38% popularity. Recognition doesn't just drive engagement, but it also boosts employee performance. Ninety-two percent (92%) of all companies believe that formal reward and recognition programs are valuable for having an impact on individual employee performance. This means that when an organization acknowledges an employee's positive behavior and demonstrates an appreciation for their contributions, their work ethic increases. This also causes an employee's motivation to increase, allowing them to serve as role models for other employees.

### Empower Every Employee to Recognize Great Work

Although businesses should ensure that their managers lead by example and consistently recognize great performance and behaviors, the best recognition programs are set up so that all employees – from interns to executives – feel empowered to recognize their colleagues' quality work. Fifty percent (50%) of companies from Aberdeen's [\*The Power of Employee Recognition\*](#) currently enable employees to socially recognize each other (also known as peer-to-peer, or P2P, recognition), while 25% plan to do so in the next year. All signs point to an increased usage of employee recognition, and the market itself growing, by 33% in 2015. The question remains: will your company be one of next year's adopters? And if so, will your company implement P2P recognition as well? Top employee-centric programs are already onboard with P2P recognition, which has helped separate them from their competition. Best-in-Class P2P

### Definition:

Engagement is a corporate initiative designed to align employees with the company's mission, values and priorities in order to deliver business results.

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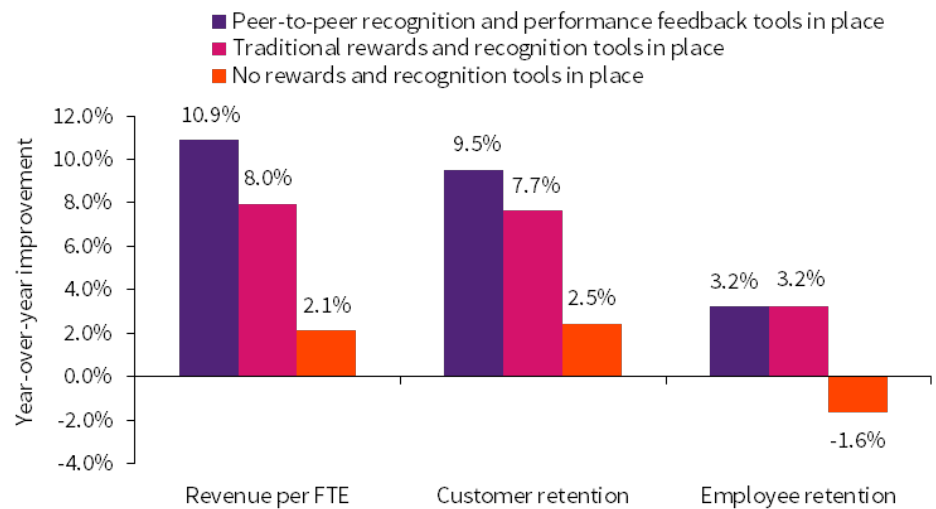
**Businesses with P2P recognition in place are three times more likely to improve employee retention on a year-over-year basis as compared to companies without rewards and recognition tools in place.**

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program deployments embed recognition into every facet of the company culture, from internal social exchanges, to mobile connectivity, to easily accessible features via software as a service (SaaS). In the right hands, recognition can be a powerful tool amongst colleagues, no matter their location, to help drive their own engagement and, ultimately, corporate success.

When employees praise and support each other via P2P recognition, businesses experience improvement in business-facing key performance indicators (KPIs). As depicted in Figure 1, when businesses have P2P recognition and performance feedback systems in place, their revenue per full-time equivalent (FTE) is 5 times greater than those without rewards and recognition tools in place, and 1.4 times greater than companies with traditional rewards and recognition tools in place.

**Figure 1: P2P Recognition Pays Off**



n=228  
Source: Aberdeen Group, August 2013

Another huge impact of P2P recognition is how it improves customer retention. When employees feel engaged and recognized for their work, they are more likely to have a positive impact on customer retention. Notably, businesses with P2P programs in place are 4 times more likely to retain customers

than firms without any recognition programs in place. Without happy, enthusiastic employees, you'll be less likely to have similar customers.

### Elevating Recognition to New Heights

Another key to implementing next-level, top-tier recognition involves effectively tracking and measuring its implementation through analytics. Without analytical and quantitative tools to measure the effectiveness of the rewards and recognition, programs can end up being just another method to drive employee engagement and demonstrate exemplary behavior internally. Companies still have some work to do when it comes to effectively collecting and analyzing recognition data.

While only 46% of Best-in-Class organizations measure the success of employee recognition efforts, this is still almost double the effort as compared to All Others, who registers a 25% adoption rate. Forty-three percent (43%) of Best-in-Class companies provide their managers with access to metrics that track recognition efforts, compared to only 18% of All Others. There's room for growth here as being able to track the effectiveness of P2P programs can help organizations better align recognition with important KPIs such as customer retention and improve their employees' performance and their overall retention, too.

Peer-to-peer recognition is critical to driving employee engagement, retaining customers and improving the performance of any business. To reach a competitive advantage, one that is Best-in-Class, companies should establish a culture of recognition that provides both managers and employees with the necessary resources, leverages social and mobile recognition tools and embraces analytics. With the right recognition programs in place, businesses are significantly more likely to experience higher employee engagement, better customer

retention and a greater connection to their business goals. Just remember, employees are your customers too, so be sure to treat them similarly or you might just end up losing both of them in the process.

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