

the HRDIRECTOR

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is no different
today than it was
in the *Battle of
Britain*

HRD INTERVIEW:

Air Vice-Marshal Mike Lloyd
Chief of Staff Personnel &
Air Secretary - RAF

Issue 81

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Set metrics that matter. CIPD research shows that less than one third of UK companies measure the impact of their rewards initiatives



Every employer knows that the mood of their workforce affects business performance, but few measure how employee engagement impacts the bottom line.

Derek Irvine, Vice-President of Client Strategy at Globoforce, explores the key metrics in employee recognition, showing how improving these metrics can fuel further growth.



Measuring the feel-good factor

Ask HR professionals or other business leaders about the importance of employee engagement to the overall performance of their organisations and most, if not all, will respond by saying that an engaged, motivated workforce is one of the key ingredients for business success. Perhaps it is, therefore, unsurprising that many companies now operate some form of staff recognition programme, ranging from the unified, strategic rewards programmes to informal and ad-hoc initiatives, such as the occasional trip to the pub at a manager's expense.

While recognising staff is generally regarded as an important HR practice, relatively few organisations actually do it strategically and measure the effectiveness of their recognition programmes. Indeed, the 2009 Chartered Institute of Personnel and Development (CIPD)'s Annual Reward Management Survey, found that as many as 68 percent of organisations did not assess the impact of their reward practices. In today's economic climate, where costs are continually scrutinised, few executives will entertain the idea of introducing or supporting any kind of initiative that cannot be adequately

measured or analysed. Against this backdrop, it is absolutely vital that HR professionals can offer more than just a gut feeling when asked to demonstrate the return of investment of their employee recognition programmes.

Set metrics that matter. CIPD research shows that less than one-third of UK companies measure the impact of their rewards initiatives. However, even when metrics are in place, these are often far too tactical. For example, those metrics may include measuring the total number of rewards given to staff or the demographics impacted. While

important to know, such measures offer little value to senior executives as they are unrelated to the overall strategic objectives of the organisation. Instead, HR teams should focus on setting metrics that are meaningful to the business. For example, organisations could measure programme costs are falling while at the same time rewards are increasing. Other important measurements could include how increased employee engagement in recognition programmes directly correlates to improvements in productivity, personal or group performance targets or other key performance indicators.

If rewards are linked to company values and strategic objectives then metrics will help executives determine which divisions of the business, regions or teams fully understand what the company is working towards. On the flip side, this information can also uncover those teams that do not understand the organisation's objectives, or cannot demonstrate the values necessary for success. Measurement enables direct intervention and training in lagging areas. As an alternative to the number of rewards given out, it is more beneficial to measure the total reach of the entire recognition programme, showing what proportion of employees actively work towards achieving the company's goals, as well as the penetration into different geographies and demographic groups.

While the star performers of any organisation will always do well, it is also important that the middle 80 percent of employees - those that undertake routine, yet vital, tasks - are also appropriately rewarded and motivated. This is a group that is often ignored by traditional recognition programmes. The final key metric is the frequency of awards, which reveals the adoption of a universal and repeated culture of appreciation across an organisation. Once the metrics are set, then the organisation must assess their current performance. This process serves two purposes. Firstly it provides a snapshot of current staff morale, productivity and performance, giving HR teams valuable insight into the effectiveness of their rewards programmes up until that point in time. Secondly, it provides a baseline against which future activities can be measured. Without such a baseline, it is impossible to accurately or credibly prove or report on improvements to recognition initiatives.

Having established the baseline, it is important to measure the results of the programme on a regular basis, using consistent criteria. Best practice measurement looks at the results of the programme itself, tracking for example, whether the programme is reaching an increasingly diverse selection of employees, and should be complemented by staff surveys.

This two-pronged approach to measurement will provide a whole host of information that is vital to assess - and ultimately improve - employee recognition programmes. The ability to generate reports which show, for example, budget spend, the reasons awards are given out (and how this varies between teams, divisions and geographies) and programme reach, should be a prerequisite of all rewards schemes. However, programme understanding, adoption and the true cultural impact of the scheme are more effectively measured using regular employee surveys. These surveys should ideally target all employees on an annual basis, and should be accompanied by surveys of smaller, randomly selected samples of staff, which are conducted on a more frequent (perhaps quarterly) basis.

Employee survey questions should be highly specific, and designed to uncover if employees understand why they or their peers have received awards, and the subsequent impact this has had on the way they feel about their employer and their approach to work.

Once the results from the programme and employee survey are available, these should be closely scrutinised to pinpoint both trends and anomalies. Here it is important to compare the results of both measurement tools, as any dissimilarities could point to a breakdown in communication between those championing the programme and the employees expected to participate in it. For example, though employee surveys may be anonymous, if a high proportion of staff in one division express that they are not receiving enough recognition, but a similarly high proportion of employees in that same division are in fact being recognised through the programme, action should investigate this discrepancy. In this instance, expectations may have been set incorrectly, some managers may have neglected to reward employees in direct and meaningful ways or that the programme itself may not have been clearly explained. In addition, regular analysis helps establish trends, pointing to improvements in the success metrics established at the outset of the programme.

Solid results allow for customised reporting that meets the needs of a variety of audiences. While programme metrics of success should satisfy the reporting needs of senior executives, line managers and employees will also be interested to hear about programme successes. In essence, results need to be sliced and diced to suit the audience. Employees will be most interested to hear about recognition stories from colleagues across the organisation, how effectively the organisation shows its appreciation of its workforce and the continued investment in the recognition programme. Managers, meanwhile,

will be more interested in reports assessing the performance of their team against prescribed programme targets.



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Executives have quite different reporting needs. Reports to this group should highlight programme cost savings, how rewards map to an understanding of corporate values and objectives, as well as improvements in staff morale, performance and productivity. The look and feel of these reports is also important, with 'dashboard' style reports often the preferred option. On a monetary level, effective measurement gives business leaders a clear understanding of the return on their recognition investments. Strategic programmes also ensure proper governance over budget spend and usage, especially when schemes are international. At a cultural level, measurement enables executives to map patterns of positive behaviour across the different demographics, divisions and geographies within the organisation.