GLOBAL STRATEGIC RECOGNITION
HOW TO DRIVE BOTTOM LINE RESULTS THROUGH EMPLOYEE ENGAGEMENT
THE NEXT SIGNIFICANT ROI OPPORTUNITY

Rebavored from its first-ever full-year loss in 2002 with a quadrupled share price and revenues showing an upward trend. Also realized substantial cost savings by deploying a single global recognition program.

What sort of return-on-investment (ROI) could a global strategic recognition program bring to some of the world’s largest and most complex organizations? Towers Watson found in 2004 that a 15% improvement in levels of employee engagement correlates with a 2% improvement in operating margin. Many company leaders are skeptical that human resources initiatives such as employee recognition could generate such high levels of ROI. And as long as employee recognition remains a tactical task assigned solely to human resources, those company leaders would be right.

At Globoforce, our proven experience with the world’s largest, most globally distributed companies have proven that significant ROI can only be achieved when employee recognition is raised to the level of a truly strategic program with clearly defined objectives and metrics to determine success.

In the last three decades, business and industry have gone through multiple “management initiative” waves to achieve increasing ROI with fewer natural and human resources. In the 1980s, companies focused on product quality improvement and management processes. In the 1990s, we moved on to human performance driven programs such as Six Sigma and programs such as Knowledge Management that took advantage of newly available internet-based technologies. Now research is showing and companies are realizing that the next significant ROI opportunity is in any company’s most valuable resource – their employees.

According to a Gallup survey of millions of employees worldwide, organizations with higher than average levels of employee engagement also realized 27% higher profits, 50% higher sales, 50% higher customer loyalty levels and 38% above-average productivity.

In a positive work environment where employees see that best practices, strong ethics and exceptional performance are recognized and rewarded consistently, openly and fairly – an environment that encourages loyalty, commitment and honesty of effort – employees are more productive and more engaged, delivering impressive returns to the bottom line.
Global Strategic Recognition

Globoforce recently conducted a survey of human resources leaders of some of the world’s largest and most complex companies.

We found that employee engagement is gaining mindshare of more than half of chief officers, and more than 80% of respondents agreed an employee engagement program could improve a company’s financial bottom line. More than 60% of respondents also believed the poor quality of work and decreased productivity of disengaged employees to be their biggest risk.

Independent industry research further supports these findings. James Harter, chief scientist for Gallup's international management practice, comments: “Organizations with large numbers of dissatisfied employees have more absenteeism and lower productivity – as well as 51% higher turnover rates than those with engaged employees.”

Gallup Poll data show that in the US just 29% of employees are energized and committed at work and 54% are effectively neutral, doing what is required but no more. The rest – nearly two out of ten – are disengaged. What do those disengaged employees cost? Gallup estimates the cost to the American economy alone is nearly $350 billion annually in lost productivity.

THE COST OF DISSAMNGAGEMENT

Gallup 2006 Q2 survey found that, of all U.S. workers 18 or older, about 20.6 million – or roughly 15% – are actively disengaged. Gallup estimates that the lower productivity of actively disengaged workers costs the U.S. economy about $328 billion.
Employee engagement scores increased 14% in less than 12 months.

The international picture is not any more encouraging.

While these numbers can be disheartening, additional studies have shown that companies that have learned how to motivate their employees and engage them through a recognition program that appreciates and values their efforts will realize dramatic performance improvements that are proven out through their stock values.

Watson Wyatt found the stock prices of companies with high employee trust levels outperform companies with low trust levels by 186%. Russell Investment Group found that the cumulative stock return (1998-2005) for S&P 500 companies is 45.6%. In comparison, the same data for Fortune’s 100 Best Companies to Work For is a staggering 200.6%.

With a possible 155% increase in company value on the line, more companies are actively seeking to improve employee trust levels and enjoyment in their work and workplace. And they are doing it through Employee Engagement, a concept the International School of Human Capital Management calls an “outcome-based concept … used to describe the degree to which employees can be ascribed as ‘aligned’ and ‘committed’ to their organization such that they are at their most productive.”

Now the question becomes how to get that desired outcome of the highest level of alignment, commitment and productivity out of your employees. The solution is simple – by fostering a culture of appreciation across your organization through a strategic recognition program.

2006 RUSSELL INVESTMENT GROUP ANALYSIS
THE RECOGNITION GLUE — BONDING EMPLOYEES AND CUSTOMERS TO YOUR COMPANY

Over a two year period, realized a double digit increase in employee satisfaction scores and advanced 31 spots on Fortune’s 100 Best Companies to Work For list (up from #64 in 2005 to #33 in 2007). Also reduced substantially the time and cost involved in running recognition programs. More than 90% of employees have been recognized through Intuit’s Spotlight program.

Employee recognition done right – consistently and frequently – is the tipping point between “willing” employees who will do what is required to get the job done and “engaged” employees who put discretionary effort into their work to improve efficiency, effectiveness and results.

Successful recognition programs reinforce the company’s values, making them a part of each employee’s everyday activities by tying all rewards and recognition moments to the company value that the employee achieved. This “sticks” the values and the company mission in the employee’s mind in every aspect of their work day.

By engaging their employees through recognition, companies are binding them more tightly to the organization and increasing employee retention rates, thereby reducing costs associated with recruiting and training new employees. Employees who feel they are recognized and are personally invested in achieving their company’s mission are more engaged in their daily work. According to Gallup, employees who feel they are recognized are also half as likely to leave their company as employees who do not feel recognized.

And Harvard Business Review tells us that engaged employees also generate stronger customer connections, which lead to higher levels of customer retention, profitability and growth. There is no better advertisement for a company than a happy employee.
REALIZE THE RESULTS OF RECOGNITION IN YOUR ORGANIZATION

Globoforce has defined five key employee engagement practices:

1 / KNOW YOUR WORKFORCE
Understand what motivates your employees culturally and psychologically, what satisfies and dissatisfies them. Set a benchmark of their current level of engagement to understand the extent of your “psychological contract” with your employees today.

2 / BUILD CONFIDENCE IN YOUR LEADERSHIP AND YOUR CORPORATE STRATEGY
Invest in your managers to ensure they have the leadership skills necessary to buy into your company’s vision and values, communicate them in a relevant and compelling way, and consistently and authentically demonstrate the values in their own management style.

3 / INSPIRE TO ACHIEVE GREATNESS
Appropriate and consistent recognition inspires the workforce to do more and do it better. Recognition done right can communicate a company’s strategy, vision and values while rewarding behaviors that reinforce them.

4 / COMMUNICATE OFTEN
Frequent program communication raises awareness, increases participation, boosts performance, and most importantly, helps develop that culture of appreciation.

5 / BUILD A CULTURE OF APPRECIATION
A strategic recognition program ensures everyone has the means, opportunity and reason to say “Thanks,” both formally and informally. This boosts your employees’ “psychic income,” not just their monetary income!
Once those five foundational elements of employee engagement are in place, you can begin building a successful global strategic recognition program that will help you fully engage your employees in their daily tasks and in the company’s mission and vision – which delivers more straight to your bottom line.

The five key building blocks of such a global strategic recognition system are:

1 / A CLEAR GLOBAL STRATEGY
Harnessing the true power of Strategic Recognition™ in a modern Fortune 500 company requires a global strategy that includes all recognition activity in the employee base worldwide. Strategic Recognition is a central component in a Total Rewards portfolio and needs to be managed consistently in every country where the company has employees. Treating every employee equally means recognizing the differences in cultures that exist in the company and catering for the Standard of Living in each location. End rewards need to be relevant and with no inequity in the options and value of rewards from country to country.

A global strategy also enables the development of a single brand and language around recognition. It creates clear visibility and auditability into the budget spend across the globe. This enables the senior executives of the company to focus on a meaningful dashboard providing true, clear, global insight into the company’s culture and social architecture across divisions and regions.

2 / RECOGNITION ALIGNED WITH CORPORATE VALUES
A successful recognition program builds on a foundation of awards that are linked to the company values. This ensures that all recognized activities are associated with a company value, making the value system come alive for all participants. Monthly dashboards then illustrate for managers the traction of each company value by region, division or department based on the amount of employees that have been recognized for exhibiting each value. Targeted management intervention on low penetration values then becomes possible.

3 / EXECUTIVE SPONSORSHIP WITH CLEARLY DEFINED GOALS
As with any strategic initiative, support from senior management is critical to the success and penetration of a culture of appreciation that is woven into the fabric of any company. In most market-leading companies, however, strategic initiatives are managed using a process, metrics, measurements, incentives and accountability – except recognition. Success requires a management methodology (such as Six Sigma’s DMAIC), clear targets for frequency and budget, meaningful measurement and reporting functionality, and managers that are held accountable for targeted award activity. Setting clear goals is central to the management methodology and should include the percentage of employees awarded, employee satisfaction scores, the match of award distribution to the performance bell curve, and the frequency of awards.
Strategically aligned recognition drives the behaviors, actions and results that lead to business success. At Dow, people are recognized for their contributions. It is important that everyone understand why recognition is important, know how to recognize employees effectively, and make recognition a part of every day.

—ANDREW LIVERIS, PRESIDENT & CEO

4 / OPPORTUNITY FOR ALL TO PARTICIPATE

When only the top few receive infrequent high-value awards, it is difficult to affect the company culture. Best practice shows that low-value awards for many results in much higher participation leading to a stronger impact on the company. Every recognition award acts as a marketing and communication moment, reinforcing core values to the workforce. Our best practices have found that if the program is promoted so that 5% of the workforce is awarded each week, a critical mass will be achieved and the program will self-maintain. Top performing companies ensure that 80% of the global workforce will be touched by the program each year.

Peer-to-peer recognition is one of the most powerful methods for driving this penetration, program acceptance, employee engagement, and bottom line results. Empowering employees in this way can unite the workforce and drive increased return. A recent Gallup survey found that positive words activate regions of the brain related to reward, “creating an internal reward system that makes employees want to repeat behavior that the company needs, if doing the right thing earns them recognition.” (Gallup Management Journal, August 9, 2007)

5 / UNLIMITED CHOICES FOR REWARDS

Rewards programs that operate on a one-size fits all philosophy miss the opportunity to reinforce a positive association with the company. True choice caters to the demographics of a worldwide workforce that spans as many as six generations, all with different expectations and driving forces. Locally based choice goes a step further to ensure the reward will always be culturally appropriate and to the recipient’s taste while avoiding the varying cultural norms that simply cannot be known by every manager everywhere in the world. Non-cash rewards in the form of gift cards to local high-value, lifestyle venues take rewards beyond compensation to trophy award status, giving the recipient guilt-free enjoyment of a high-end luxury item or entertainment event. These tangible symbols of achievement are lasting reminders of that achievement and are socially acceptable to show off, again reinforcing the value of the recognition program across the company.
Are your employees fully engaged and delivering the productivity measures you know are possible? If your goal is to capture the engagement dividend, you need to match your recognition strategy to that ambition. The evidence is irrefutable – people who receive recognition have a profound positive impact on the bottom line for the organization that fosters an appreciation culture.

It’s time for you to realize the full return on engagement. With a set of specific program objectives in mind, you can design a program that recognizes people in your organization who exhibit high performance, positively reinforcing personal, business and functional goals and helping to achieve company success.

Every day, Globoforce helps Global 2000 companies improve employee engagement levels through our award-winning, on-demand, global strategic recognition solutions. We don’t just talk about the merits of building an engagement culture in which every employee is driven to succeed; we make it happen.

Our recognition specialists are ready to help you realize your ambitions by building a recognition platform that matches your company’s vision and values. Visit us on the web at www.globoforce.com or email us at info@globoforce.com. To speak to one of our global strategists immediately, please call 1 888-7-GFORCE.
Founded in 1999, Globoforce is the world’s leading provider of SaaS-based 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 Globoforce platform. A private corporation, Globoforce is co-headquartered in Southborough, Massachusetts, and Dublin, Ireland. To learn more, please visit www.globoforce.com or the company’s blog at www.globoforce.com/globoblog.