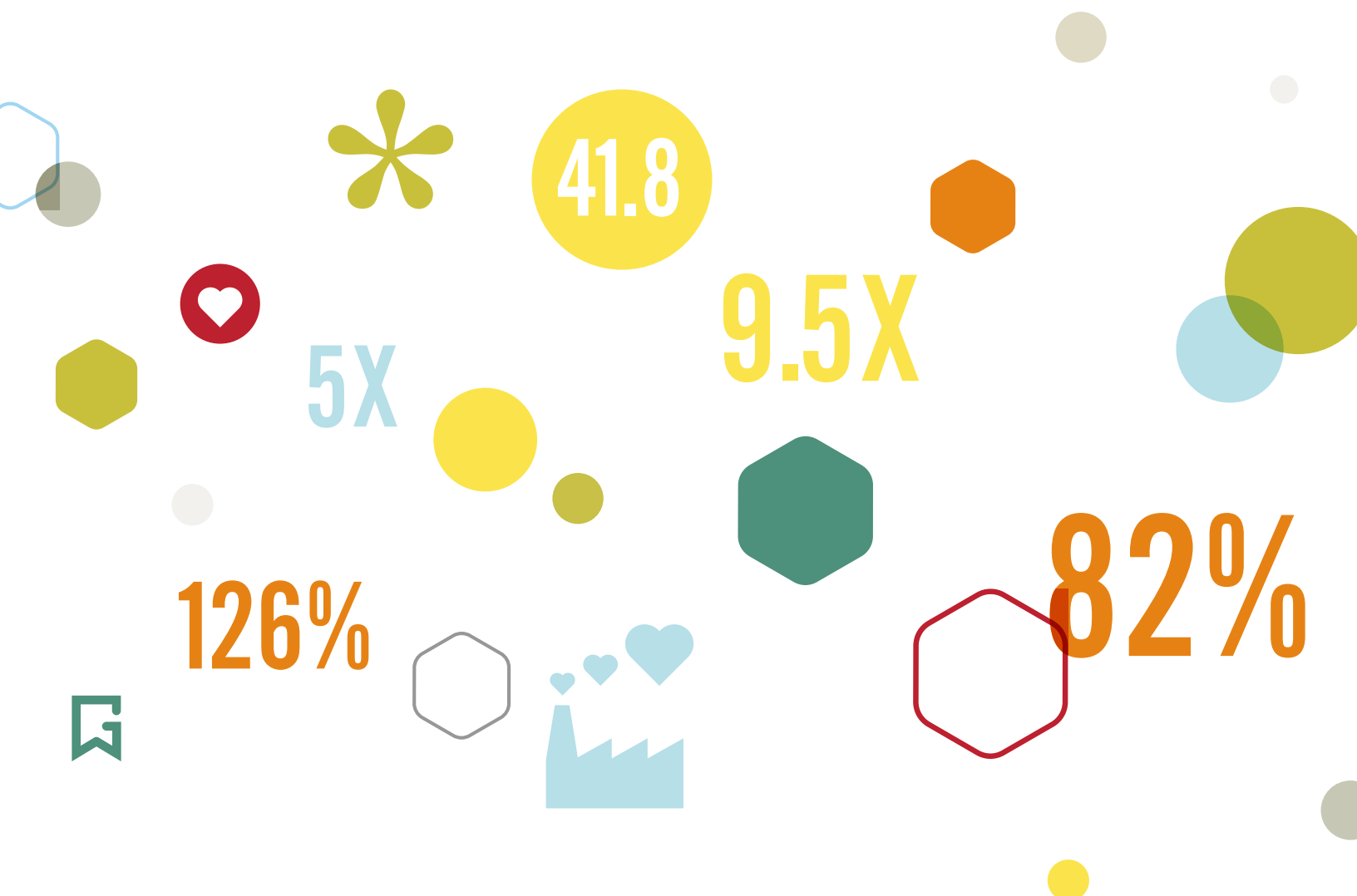


THE BUSINESS CASE FOR RECOGNITION:

The latest research, compelling insights, and the benefits of effective recognition



It doesn't matter the industry or locale, every organization today is facing the same set of integrated issues: How do you meet the rapid pace of technological changes? How do you effectively attract and retain the talent necessary to innovate and compete? In essence, how do you create an environment that engages, motivates, and inspires people to do great work at all levels?

A 2015 Human Capital Trends study cites employee engagement and cultural issues as the top challenge companies face around the world.¹ With Gallup reporting in 2014 that less than one-third (31.5%) of U.S. workers were engaged in their jobs (further citing 51% of employees as “not engaged” and 17.5% as “actively disengaged”),² improvements need to be made.

There is, however, a proven solution that actively gives organizations a competitive advantage. It’s basic. It’s human. It’s cross-generational.

Third-party global research commissioned by the O.C. Tanner Institute proves frequent and effective employee recognition is the leading cause of great work and is highly correlated to increased engagement, productivity, innovation, trust, and tenure. This research was further validated by 2014 O.C. Tanner client data pulled from more than 8 million recognition moments, with 91% of recognized employees reporting, “they felt highly motivated to contribute to the success of their organizations.”³

EXECUTIVE SUMMARY

Research proves recognition has a direct impact to:

- 1
cause great work
 - 2
increase engagement
 - 3
encourage innovation and productivity
 - 4
improve trust and manager relationships
 - 5
attract and retain talent
-

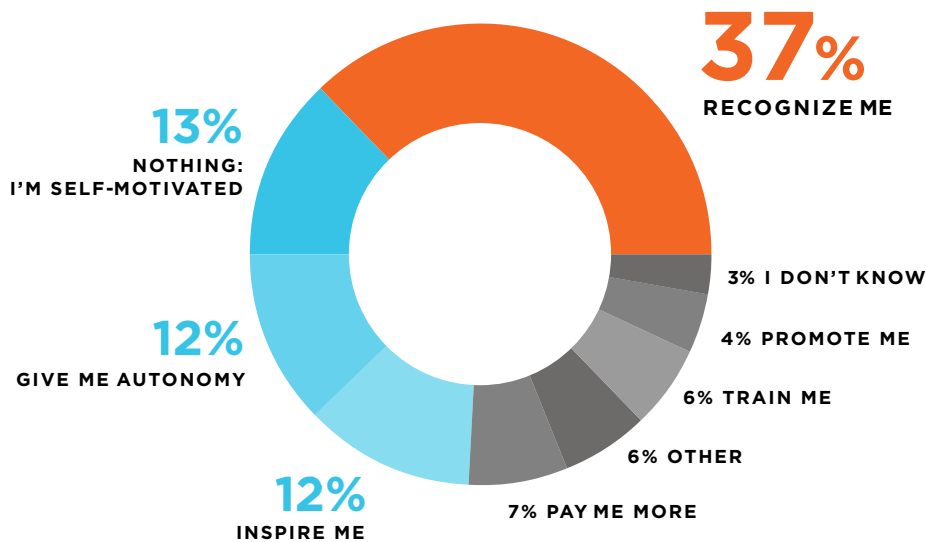
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The #1 cause of great work

In a recent survey,⁴ employees were asked (without prompting), “What is the most important thing your manager or company currently does (or could do) to cause you to produce great work?” The number-one answer: “Recognize me.”

The next most-mentioned responses were: “nothing, I’m self-motivated,” “inspire me,” and “give me autonomy.” Interestingly, the top areas organizations often focus on to cause great work— pay raises, promotions, or work perks like flexibility and open workspaces—either produced a small response or were not mentioned at all by employees.

WHAT CAUSES GREAT WORK?

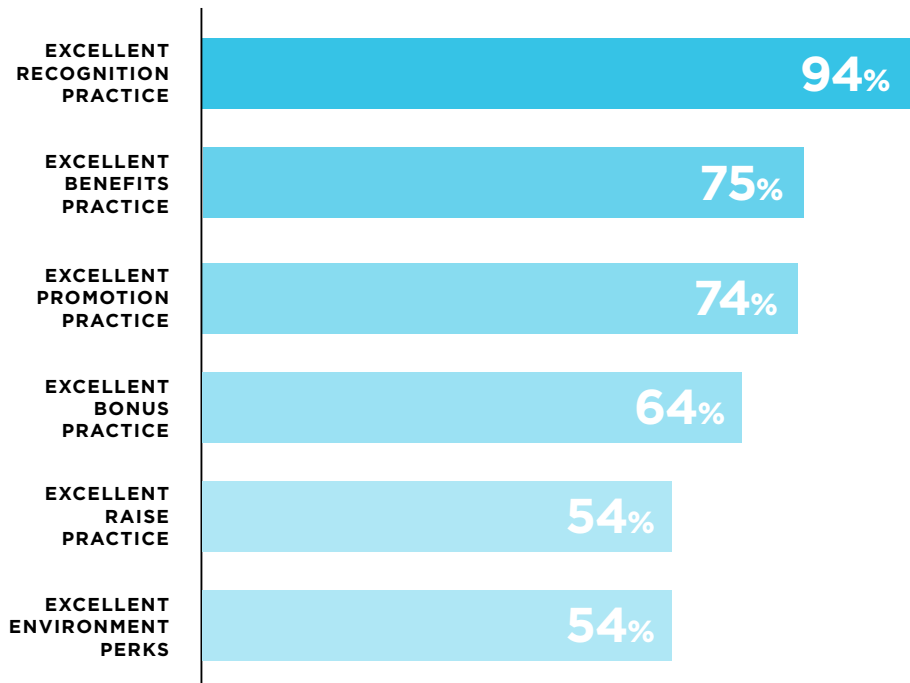


It's important to note that employees responded similarly, regardless of their age or generation. The same answer also appeared when employees were asked, "What would you do to motivate your peers to do great work?" In fact, 35% of employees responded they would recognize their peers. The next most mentioned answer was "lead by example" at 22%.

The same survey also found that of all practices a company offers (such as promotions, raises, bonuses, environmental perks, etc.), recognition is the most effective and impactful work practice at causing great work.

The following chart shows that 94% of employees who work for organizations with "excellent" recognition practices rate recognition as effective at causing great work. Meanwhile, only 54% of employees who work for organizations with "excellent" raise practices rate raises as effective at causing great work.

PERCEIVED EFFECTIVENESS OF WORK PRACTICES



“I really appreciate sincere appreciation and recognition. I am paid to do a job. But my salary doesn’t drive my motivation; it doesn’t make me perform any better.”

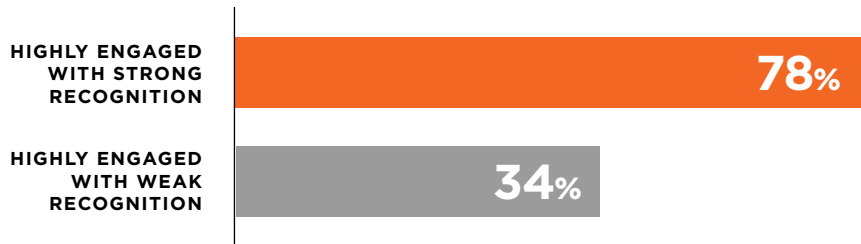
—SURVEY PARTICIPANT

2

Increase engagement

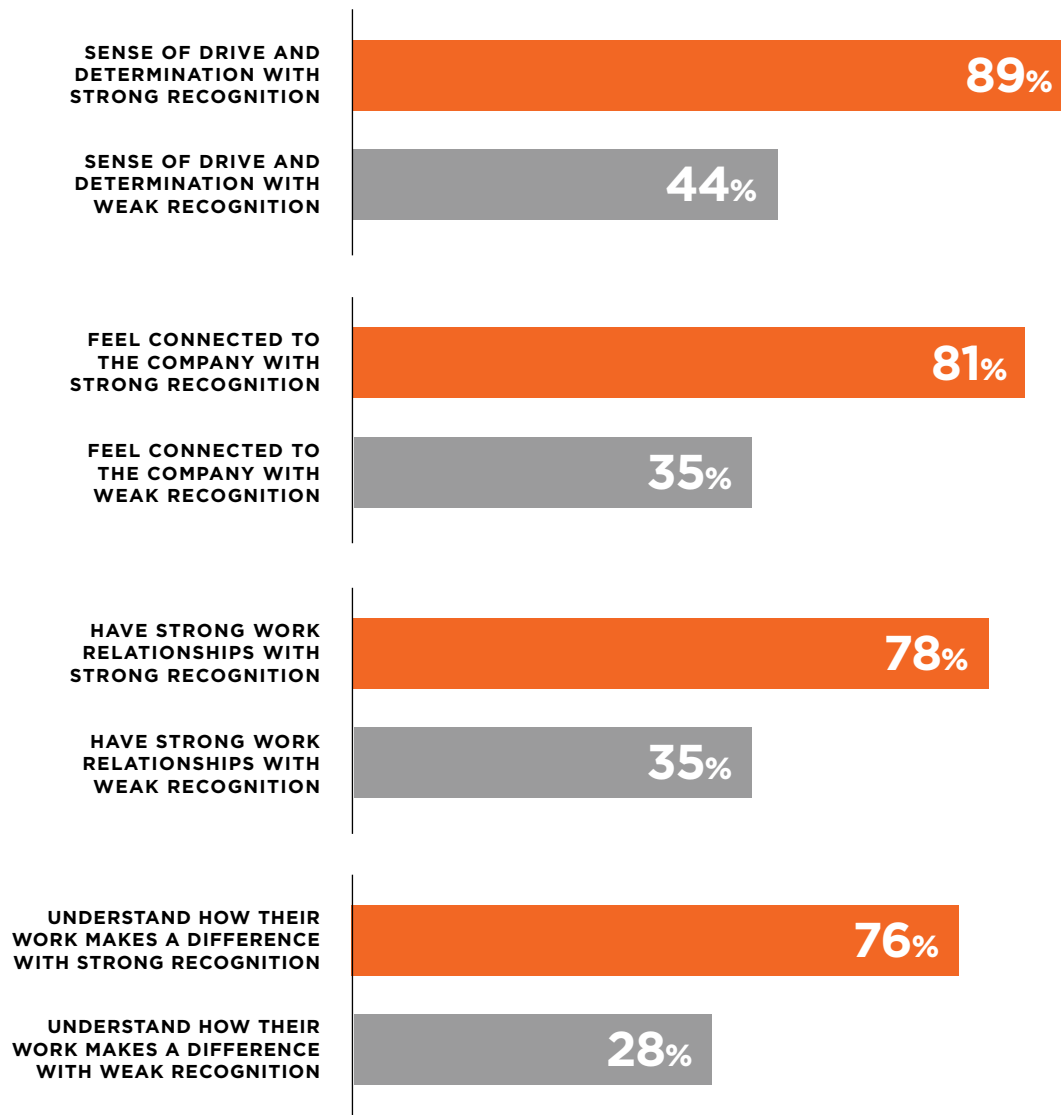
Additional research commissioned by the O.C. Tanner Institute looked at the correlation between effective performance recognition and engagement.⁵ The finding: performance recognition for great work significantly impacts employee engagement at a rate of more than 2-to-1.

EMPLOYEES WHO RECEIVE STRONG RECOGNITION ARE MORE ENGAGED



In fact, when employees receive formal recognition for going above and beyond—as well as informal recognition for everyday effort—they have more drive and determination, better work relationships, improved personal standing, and stronger connections to their organization.

EMPLOYEES WHO ARE HIGHLY ENGAGED WITH STRONG VS. WEAK RECOGNITION



Research from Quantum Workplace reveals the number-one area employers need focus on to improve employee confidence is in fact recognition.⁶

It's worth asking what comes first: recognition or engagement? Or does that matter? This research illustrates that recognition makes all employees—both the unengaged and highly engaged—feel motivated, appreciated, and satisfied at work. This in turn increases a commitment to success, which leads to more recognition. It's a mutually reinforcing cycle. The same research also points out the adverse effects of weak recognition: discouragement, disenchantment, and the possibility of driving even top performers away.

A recent Aon Hewitt study found that recognition for strong achievement or performance is one of the top three expectations employees have in the workplace. Further findings conclude that 1 in 3 employees would like to see improvements in recognition.⁷

3

Encourage innovation and productivity

What about recognition's impact on innovation and productivity? Employees who receive strong recognition are 33% more likely to be proactively innovating, generating 2x as many ideas per month compared to those who aren't recognized well. Further, companies that provide effective performance recognition are more than 2x as likely to be highly innovative.

EMPLOYEE'S CHOICE OF WHICH BENEFIT WOULD ENCOURAGE THEM TO BE INNOVATIVE AND PRODUCTIVE



RECOGNITION'S IMPACT ON INNOVATION AND PRODUCTIVITY

PERCENTAGE OF EMPLOYEES WORKING AT 80% CAPACITY OR HIGHER



FEEL THEIR IMMEDIATE WORK TEAM IS WORKING AT 80% OF CAPACITY OR HIGHER



4

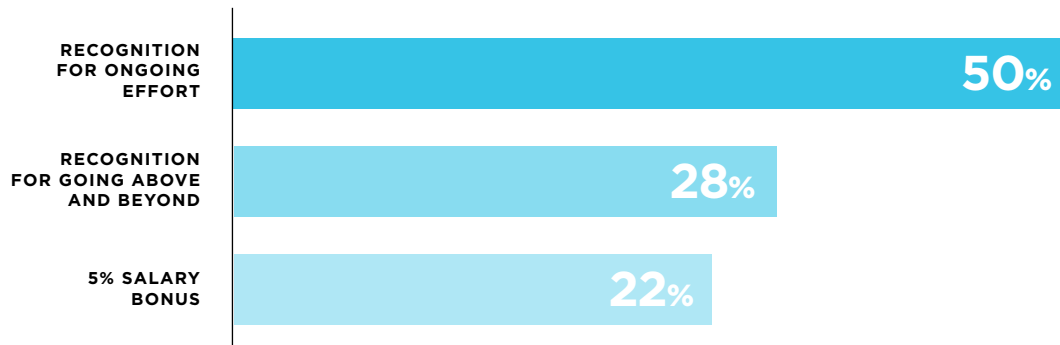
Improves trust and manager relationships

According to 2015 research by Aon Hewitt,⁸ 72% of employees value communication and recognition from their leaders, and 46% report they don't get enough. Employees who feel encouraged to share ideas and opinions with others are 3x more engaged, and employees want more feedback on their job performance and recognition of efforts and achievements from their direct managers.

Towers Watson research also finds recognition done well increases managers' trust, communication, accountability, and goal-setting attributes.⁹

Not surprisingly, performance research commissioned by the O.C. Tanner Institute reported that, among those who receive strong recognition, 87% say they have a strong relationship with their direct managers; only 51% of those receiving weak recognition say the same.

EMPLOYEE'S CHOICE OF WHICH BENEFIT WOULD IMPROVE THEIR RELATIONSHIP WITH THEIR DIRECT MANAGER



5

Attract and retain talent

Leading research and workforce studies highlight that in 2015 and beyond, recognition is no longer seen as a nice “workplace perk,” but rather a necessary strategy to attract and retain top talent.¹⁰

A global survey of 200,000 job seekers asked employees to choose the most important attributes in a new job from a list of 26. The number-one attribute was that their employer or manager showed “appreciation for my work.” This was followed by good relationship with colleagues, good work-life balance, and then good relationships with superiors. Attractive salary came in at number 8.¹¹

In the “Drivers of Great Work” study, employees who consistently do great work in their organization were more likely to work at companies with excellent recognition and promotion practices.¹²

Additional research commissioned by the O.C. Tanner Institute¹³ was conducted to specifically focus on the impact of celebrating career achievement (or years of service) over time. Two findings of this study were found to be true both globally and cross-generationally:

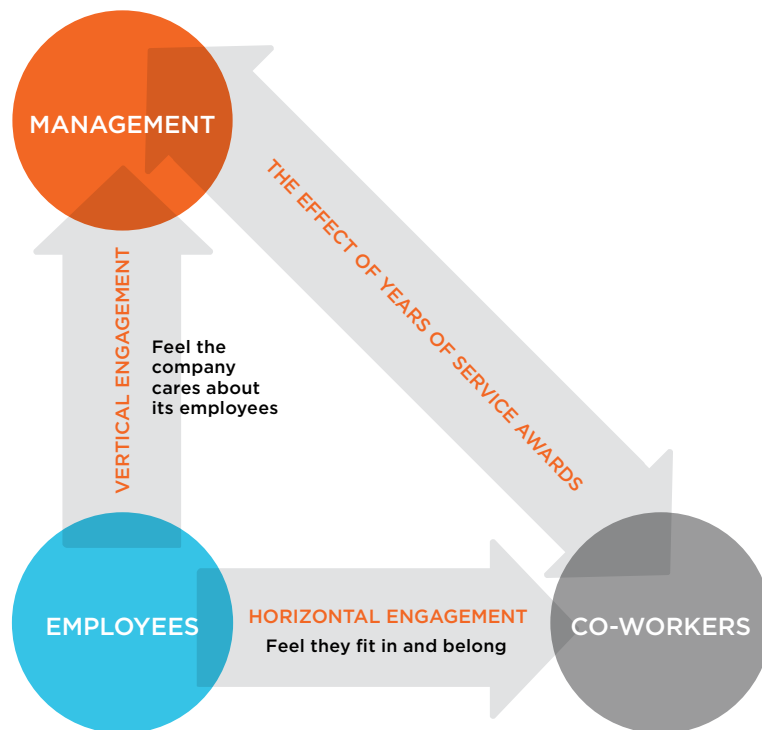
- Companies offering a years-of-service award program keep employees an average of two to three years longer than companies without a program.
- Employees plan to stay at their current employer for an additional two years on top of that if the program is perceived to be effective.

AVERAGE NUMBER OF YEARS AN EMPLOYEE STAYED AT THEIR PREVIOUS COMPANY WITH AND WITHOUT A SERVICE AWARD PROGRAM



When done effectively, years-of-service programs improve an additional set of key employee engagement metrics:

- First, they communicate that the company cares about employees, which improves vertical engagement from employee to manager.
- Secondly, they help employees feel they fit in and belong, which improves horizontal engagement from employee with peers.



KEY INSIGHT

Career achievement programs touch every employee, at every level.

Research has proven that great work, engagement, and overall business metrics are impacted by programs that reward performance—in both formal and informal ways—as well those that celebrate career achievement or years of service. As proven, organizations should see recognition not as an optional nice-to-have perk, but rather a necessary strategy to deliver the business results they seek.

O.C. TANNER AND THE O.C. TANNER INSTITUTE

The O.C. Tanner Institute regularly commissions research and provides a global forum for exchanging ideas about recognition, engagement, leadership, culture, human values, and sound business principles.

O.C. Tanner, number 40 on the 2015 FORTUNE 100 Best Companies to Work For® list, helps organizations create great work environments by inspiring and appreciating great work. Thousands of clients globally use the company's cloud-based technology, tools, awards, and education services to engage talent, increase performance, drive goals, and create experiences that fuel the human spirit. Learn more at octanner.com.

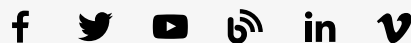
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