

# Pump Up Employee Engagement: Fuel Prosperity with Strategic Recognition

## Supercharge Your Program by Really Knowing Your Audience

### *Economic Recovery Holds New Workforce Challenges*

During the recent recession, far too many companies adjusted their business strategies in order to simply survive. Frozen or reduced salaries, layoffs, and doing more with less have permanently altered the work environment, redefining the path to business success in a shaky recovery. Not surprisingly, these business strategy shifts have seriously impacted employee attitudes and engagement. When coupled with evolving skill needs and demographic trends, these conditions are eroding the link between organizations and employees, making employees more open to the opportunities that will occur as the job market improves. Companies must find ways to reconnect with their employees. If leaders want their employees to be meaningfully engaged in the business and secure their place as an employer of choice, they need to realign talent strategies to help employees feel individually valued and recognized.

The facts about the current state of employee engagement:

- ★ A recent national poll by the Conference Board found that job satisfaction is the lowest since the poll began in 1987 with only 45 percent of employees satisfied with their jobs. (Five Things Leaders Can Do to Re-engage Their People, Scott Patchin, *Corp!*, Feb. 4, 2010, downloaded Feb. 18, 2010.)
- ★ Cost-cutting actions made by U.S. employers in 2009 to deal with the economic downturn have contributed to a sharp decline in the morale and commitment of workers, especially top performers. The 2009/2010 U.S. Strategic Rewards Survey by Watson Wyatt and WorldatWork found that employee engagement levels dropped 9 percent since 2008 and have plunged close to 25 percent among top performers. (Workers' Engagement Levels Drop, Along with Their Expectations, Stephen Miller, *HR Magazine*, November, 2009, p.16.)

In the face of management actions signalling companies don't value employees, virtually every human resource consulting firm reports high levels of employee disengagement and distrust of management. As *Newsweek's* Jeffrey Pfeffer points out in a recent article

### *Point of View*

*Recognition has a proven track record of engaging employees and is especially critical after a long, lean period, when employees have often been overstretched and under-rewarded.*

*A recent Manpower study showed that over 60 percent of workers plan to look for new jobs as soon as the economy provides opportunities. After a couple of years of the "lucky-to-have-a-job" message, employees are looking for more stability, opportunity, and appreciation. Proving to a tired workforce that they are individually appreciated may be the only way to engage them and combat exodus through the recovery.*

*A one-size-fits-all approach to recognition programs is not the answer and instead, may leave too many employees feeling cynical, disengage those who are "borderline" and lead them to conclude management "doesn't even know what I value" — increasing the likelihood of a loss of talent.*

*In this environment, building a program that is tailored to the needs of each audience is essential. While sales forces respond to public recognition events and proudly display an award in the office, Millennial workers may need much more frequent – even if modest – recognition or prefer an award they can enjoy outside the office on their own time. For many, a sincere and heartfelt "thank you" from the company president can make the difference in loyalty.*

*Much has been asked of employees during the darkest months of the recession. It is critical to let them know their hard work not only furthers the success of the entire group, but that it is acknowledged and appreciated.*



about corporate downsizing, “When the current recession ends, the first thing lots of employees are going to do is look for another job.” (Lay Off the Layoffs, Jeffrey Pfeffer, *Newsweek*, Feb. 5, 2010, downloaded Feb. 17, 2010.)

From the employee perspective, the economic strain has made many workers feel vulnerable. Directly or indirectly, they have lost benefits, colleagues, job security and/or wages. In many cases, employee trust has been severely undermined or even totally broken with the organization. Those who remain in a sometimes dramatically changed work environment are burned out and desperately need to know that they have not been forgotten. They need to feel valued — on an individual basis.

As economist Robert Schiller tells us, “A relatively uninterested, insecure workforce is unlikely to bring about a vigorous recovery.” (To What Degree Does “Identity” Affect Economic Performance? Jim Heskett, Harvard Business School Working Knowledge, March 3, 2010.) At the same time, the stresses experienced during the downturn can continue to influence employee behaviors and drivers for many years to come. (Meet Your New Employee, Jennifer Schramm, *HR Magazine*, October, 2009, p. 96.)

Such findings are significant because companies cannot afford the additional financial burden associated with a disengaged workforce — especially with today’s lean operating budgets. Disengaged workers impact productivity, goal achievement and a company’s bottom line. They are less likely to be concerned with customer satisfaction, the key to profits in the marketplace. And, disengaged top performers are more likely to leave an organization taking valuable institutional knowledge with them, generating additional costs as companies try to fill the void.

Back in 2005, well before the most recent recession, employee disengagement was estimated to cost the U.S. economy as much as \$350 billion per year in lost productivity, accidents, theft and turnover. (The Economics of Engagement, Allan Schweyer, Human Capital Institute, p. 1, downloaded Feb. 13, 2010.) In addition, it can cost as much as 1.5 to 3.5 times annual salary to replace a good employee posing a threat to the success of any organization in a fragile recovery. (Salaries Looking Up, John Dooney, *HR Magazine*, October, 2009, p. 24.)

In the October 2009 continuation of its ongoing survey of 210 U.S. based companies regarding adjustments to HR programs in response to the economic downturn, Watson Wyatt found that 65 percent of the companies are now more concerned about retaining critical-skill and top-performing talent than prior to the economic crisis. (Effect of the Economic Crisis on HR Programs Update: October 2009, Watson Wyatt Worldwide, downloaded Feb. 13, 2010.)

## **Recognition Should Be Part of Recovery Strategy**

In the face of these new workforce realities, employee recognition can be a significant component of a strategy to attract, motivate and retain employees at relatively lower cost. A solid recognition and rewards program can enhance comprehensive recovery efforts that include reinstating employee benefits, revitalizing compensation plans and backfilling vacant positions. Because recognition and reward programs can be implemented fairly quickly, they can help knit recovering organizations back together, but they must be part of an overarching strategic recognition culture.

In 2000, the *Harvard Business Review* declared: “Research has clearly and consistently proved the direct link between employee engagement, customer satisfaction and revenue growth.” In 2009, the Gallup organization affirmed this conclusion by stating: “Research has shown that engaged employees are more productive employees. The research also proves that engaged employees are more profitable, more customer-focused, safer, and more likely to withstand temptations to leave.” (The Economics of Engagement, Schweyer, *Human Capital Institute*, p. 6.)

It is not surprising then that the Watson Wyatt study cited earlier found 44 percent of the companies surveyed actually encouraged an increase in the use of recognition plans during the recession and 64 percent of those same companies expect to keep their recognition programs permanently because “increased use of recognition programs is one way to help keep key talent engaged and motivated. Having the right people in place and productive will be a key differentiator for companies looking to outperform competitors in a recovery.” (Effect of the Economic Crisis on HR Programs Update: October 2009, Watson Wyatt Worldwide.)

**Back in 2005, well before the most recent recession, employee disengagement was estimated to cost the U.S. economy as much as \$350 billion per year in lost productivity, accidents, theft and turnover.**



## Employees Respond to R & R

According to the study “Rewards, Incentives and Workforce Motivation,” conducted by the International Society of Performance Improvement, employees generally respond positively to the following workplace factors that can be addressed by recognition and rewards:

<b>Support</b>	Do employees feel the organization values their work?
<b>Task Value</b>	Employees often work more productively when they understand that the labor they perform has a value to the organization.
<b>Capability</b>	Employees work more effectively if they feel able to do a particular task. To help expand capabilities, R & R programs can be set up to reward people for completing training or demonstrating knowledge.
<b>Communication</b>	Rewards and recognition help communicate the actions valued by the organization and increase the likelihood that people will perform those actions and help achieve company goals.

(Finding the Right Mix, Performance Improvement Council, Dittman Incentive Marketing, p.2 downloaded Feb. 11, 2010)

In its 2008 global engagement study of 90,000-plus workers worldwide, Towers Perrin concluded that, while the impact of the immediate boss on employee engagement is large, the top single driver of discretionary effort is “senior management’s sincere interest in employee well being.” (The Economics of Engagement, Schwyer, Human Capital Institute, p.11.) Communicating this to the organization is the central difference in creating an engaged workforce.

Workers respond to feedback and rewards and recognition, especially when it pervades a company culture that is embraced from top management down to the front line. The trick is to get it right for the specific audience and make it genuine and meaningful for each individual employee.

## Workforce Demographics Affect Recognition Approach

Today’s workforce is in the throes of change brought on by both natural demographic changes and economic reality. Different segments of employees are looking for different types of feedback. The one constant factor is that people want to be recognized for their work and applauded for their successes. Regardless of age or career stage, employees want to feel they play a valuable role within their organization. Employee recognition programs, motivational incentive programs, and productivity-based flexible work schedules all help cultivate a positive, engaged work environment that promotes success. (Recognition remains important in a diverse and evolving workforce, Stillman St. Clair and Melissa Van Dyke, *Maritz Incentives Insight*, downloaded Feb. 11, 2010.)



Instead of generational segments progressing through the workforce based on age and experience, today’s workforce is multigenerational, largely comprised of three groups:

**Baby Boomers** – Born between 1946 and 1965, this generation is better educated and often

better off than previous generations. They have experienced more competition in the workplace and are worried about their financial future as a result of being “sandwiched” between taking care of parents and adult children. They have been greatly affected by the economic downturn’s layoffs and the declining values of assets like 401(k)s and home ownership with many remaining in the workforce longer than planned.

**Generation X** – Born between 1965 and 1980, this generation is much smaller than the Boomers. Now, mostly integrated into the workforce, they often feel held back by the effects of downsizing and the decisions of Boomers to remain longer in the workforce. They are sometimes described as savvy, entrepreneurial loners.

**Generation Y (Millennial Generation)** – Born between 1981 and 2000, they are the first generation to come of age in the new millennium. They are tech savvy, fully engaged in using computers and social media. They are more comfortable with globalization and new ways of doing work and are the most demographically diverse generation in history.

As more Generation Y/ Millennials enter the workforce, employers must adjust to new employee expectations in addition to those embraced by more seasoned employees. Both Generation X and Millennial workers demand more immediate



feedback than their predecessors and are less driven by salary increases. They want to concretely know often and in real time how they're doing so they can make necessary adjustments. (Optimize Your Workforce, Ronald Katz, *HR Magazine*, October, 2009, p. 85.)

While previous generation's job choices were strongly money-motivated, Gen Y is more interested in the actual 'package': employer honesty, respect, continuous learning and development, career progression and work/life balance; all of these ranking much higher than financial considerations... Generation Y are confident and optimistic. With this comes an expectation of responsibility and challenges, which they seek earlier in their career than previous generations. (Generation Y— bored brats or brilliant businesspeople? Julia Stolzenberg, *Webdiary*, March 11, 2008, downloaded March 17, 2010.)

A 2008 electronic research project conducted by MonsterTRAK and the Michigan State University Collegiate Employment Research Institute found that today's young adults:

- Do not perceive work to be a central life interest as previous generations did.
- Want jobs that are interesting with opportunities to learn new skills.
- Want jobs that provide a sense of security and opportunities for promotion.
- Want jobs with good health care benefits.
- Look for feedback and rewards for performance in the form of praise or bonuses.

(Young Adults At Work, Dr. Georgia Chao and Dr. Philip Gardner, MonsterTRAK, December, 2008, downloaded March 17, 2010.)

While Baby Boomers believed if they worked hard and did a good job, their employers would take care of them and Generation X employees are content to work their way up the corporate ladder, Generation Y workers want to be continually challenged in the workplace, or they will go elsewhere. (Generation Y— bored brats or brilliant businesspeople? Stolzenberg, *Webdiary*.)

## Individualized Recognition Responds to Expectations

An in-depth study of recognition preferences and practices shows there is much to learn about maximizing the effectiveness of recognition practices and programs. A common error for many companies is to assume that recognition and rewards programs motivate everyone similarly. "In practice, this assumption could not be further from the truth." (The Power of Meaningful Employee Recognition: Why One Size Does Not Fit All, Rick Garlick, Ph.D., *Maritz Research*, downloaded Feb. 11, 2010.)



Today's workforce is more diverse than ever. The effects of the recent recession, coupled with advancing technological changes and evolving marketplace trends, have created a mosaic blend of people at different stages in their personal and work lives, each with a different set of interests, influences and satisfiers. (Recognition remains important in a diverse and evolving workforce, St. Clair and Van Dyke, *Maritz Incentives Insight*.)

If employers are able to successfully tap into the right employee motivators, they have a real chance of achieving success. Studies show that employees who receive the recognition they want are more engaged, more willing to put in the discretionary effort that will be necessary in a challenging recovery. But first, it is important to understand what that means.



VALUE PEOPLE, MOVE BUSINESS

Maritz Research recently conducted a national poll of 1,002 full-time employees across North America to assess recognition practices vs. employee preferences. Those in the study were asked how they were recognized in the workplace, as well as how they wanted to be recognized....The results showed that when employees received the type of recognition they wanted, they were significantly more satisfied with their jobs, more likely to remain with the company, and more likely to recommend their workplace to others. They were also significantly more likely to invest in their own company and felt significantly more valued as an employee...In most cases, the intent to remain with a company long-term is doubled when employees receive their desired form of recognition. (The Power of Meaningful Employee Recognition: Why One Size Does Not Fit All, Garlick, *Maritz Research*.)

## Self-Interest Is Key

How do you make sure your Reward and Recognition programs are on target? One approach is to use a concept called the “Zone of Self-Interest.” Simply put, it is crucial to identify a particular activity that is known to be a key to your success and then put a program in place to reward that behavior every time it occurs. (Influencing and Reinforcing the Behavior You Want in Employees and Customers, *Dittman Incentive Marketing*, downloaded Feb. 11, 2010.)

People tend to do things if they feel that it is in their own best interest. Organizations need to connect what employees want for themselves to overall organizational goals by rewarding behavior in a way that is meaningful to them and their own self-interest. By pointing out that a particular behavior is rewarded, you could be well on your way toward reinforcing the performance that will help achieve business goals. Moreover, people don’t walk away from companies they feel care about them, so rewarding them can stabilize your talent pool.

To help assure your recognition process is on track, consider the following factors:

- Be strategic and make sure it reinforces your company values.
- Make your approach personal. Think about what will be truly memorable for the employee.
- Be inclusive. Your program should be able to occur in all directions: top-down, peer-to-peer, etc.
- Include easy-to-use, robust tools with appropriate reporting capabilities.
- The process should be fast, requiring few approvals, so the award is closely tied to the action performed.
- Use a cross-functional team to design the process (payroll, IT, communications, HR) so it appeals to all targeted functions.
- Conduct ongoing communications to inform and encourage use.

(No Good Deed Goes Unrewarded, Scott Himmelstein, *HR Magazine*, January, 2010. p. 27.)

When creating your program, be aware of the tendency to assume “one size fits all” and that everyone will respond positively to the same program or practice. While it may seem difficult to individualize recognition programs, there are ways to help heighten effectiveness:

- Each manager should spend time on a regular basis with each employee to determine how that employee is best motivated.
- Managers should find ways to integrate the identified type of recognition into the employee’s development plan.
- Recognition needs to be given consistently.
- Be sure there are opportunities for management to recognize everyone’s contributions.
- Clearly communicate the reason for the recognition.
- Provide opportunities for peer recognition that can result in increased productivity.

(The Power of Meaningful Employee Recognition: Why One Size Does Not Fit All, Garlick, *Maritz Research*.)

In addition to considering the basic elements of recognition programs, leaders need to realize different generations respond differently to different types of incentives. In an article about managing the nearly four generations now in the



workforce, Jo Collier, CEO of the PeopleCo recruitment firm, noted Generation Y may prefer flexible working hours over financial incentives, Generation X may prefer financial bonuses to pay off their mortgages and Baby Boomers might choose to drop their hours as they plan for retirement. (Management for the ages, Jane Lindhe, *CIO*, downloaded March 18, 2010.)

In one example, CVS/pharmacy decided in 2004 to create its “Snow Bird” program, which lets experienced store employees move seamlessly among CVS locations across the country according to their seasonal preferences. Many of the more than 1,000 participants ended up being mature workers who enjoy wintering in southern states and spending summers in northern locations. (How Gen Y & Boomers Will Reshape Your Agenda, Sylvia Ann Hewlett, Laura Sherbin and Karen Sumberg, *Harvard Business Review*, July-August, 2009, downloaded March 22, 2010.)

In another example, UBS offered a newly-graduated job candidate the opportunity to participate in its graduate deferral program which postpones the new hire date by one year, allowing the candidate to participate in recognized community service all the while paying half of that candidate’s base salary plus a stipend for health insurance and giving him/her the chance to assist in a wider purpose while making the transition from college to full-time employment. (How Gen Y & Boomers Will Reshape Your Agenda, Hewlett, Sherbin and Sumberg, *Harvard Business Review*.)

“Anecdotally, Baby Boomers and Generations X and Y are all interested in the same work practices, such as flexible working arrangements and career breaks, but perhaps for different stages of their careers,” according to Chris Childs, KPMG national human resources manager. (Management for the ages, Lindhe, *CIO*.)

It is also important to consider how different types of recognition affect different types of people.

For some, being honored in front of one’s peers represents the ultimate motivator. For others, the thought of being put on display in front of others is a sufficient reason to deliberately underachieve. In one instance, a company thought it was a good idea to give employees ‘gold’ coins that had no monetary value, but were intended to recognize employees for engaging in behaviors that managers liked. When a manager would spot an employee ‘doing something right,’ he or she would give that employee one of these coins to put in a display outside of his or her cubicle. Instead of being a motivator, this recognition program engendered a high degree of hostility from employees who saw the coins as worthless and even worse, divided employees who viewed this practice as a way for managers to identify their ‘pet’ employees since there was no consistency on how the coins were given out. (The Power of Meaningful Employee Recognition: Why One Size Does Not Fit All, Garlick, *Maritz Research*.)

When recognition programs give employees the recognition that is most meaningful to them, they are engaged and more likely to remain with a company than when they do not feel valued. It can often mean simply taking rewards from the benefits and work-life elements of a company’s HR strategy and connecting them to employee performance.

One example of how programs can be directly linked to the type of reward an individual worker wants is a trend toward providing individualized award choices structured to allow workers to select their specific award from a menu of items. This trend appears to have a particular appeal among younger workers.

## **Valued Employees = Engaged Employees = Business Results**

Studies prove employees need to feel valued and know the work they do on a daily basis matters. More than three-quarters of employees, 76 percent, who responded to the 2008 World of Work study published by Randstad, an Atlanta-based employment-services firm, said feeling valued was the most important factor for happiness at work, out of more than a dozen options. When asked to identify the employer attributes they valued most, the top response (67 percent) was “recognizes the value I bring to the organization.” (Length-of-Service Awards Becoming More Personal, Rebecca Hastings, *SPHR, 2009 HR Trendbook*, p. 46.)

Employees who feel “cared for” by employers are more likely to return the favor by paying attention to the company’s bottom line, treating customers better, and supporting the overall work community. As Allan Schweyer of the Human Capital Institute points out:

**Engaged employees work smarter, not harder.**

The key to making recognition and rewards programs work is to target them to specific business goals and individual employee needs.



Engaged employees work smarter, not harder. They look for ways to improve performance and they find them. This means more sales, lower costs, better quality and innovative products. Engaged employees communicate — they share information with colleagues, they pass on ideas, suggestions and advice and they speak up for the organization. This leads to better performance, greater innovation and happier customers. (The Economics of Engagement, p. 5.)

The key to making recognition and rewards programs work is to target them to specific business goals and individual employee needs. Goal alignment and reward reinforcement promotes excellence and increases the likelihood of business success. At the end of the day, your organization is more likely to craft the right program by:

- Understanding the respective strengths of various rewards and recognition approaches.
- Remembering that demographics matter—as the nature of your workforce changes, so should the nature of your approach.
- The mix can be different for each employee. The key is to determine the mix on a one-to-one basis.

(Finding the Right Mix, *Performance Improvement Council*, Dittman Incentive Marketing, p. 2-3.)

Good recognition programs and practices can go a long way toward making an organization an “employer of choice” in the quest to attract and retain the best talent, but poorly designed practices and programs can easily wind up as a source of frustration for both the employer and the employee. Using the services of a recognition professional to assist with creating or modifying a recognition and rewards program can help an organization sort through program design issues and the myriad of award options that span from gift cards to training opportunities. The success of any program will depend on the degree of care and consideration invested in it. Every program needs to be meaningful, personal and attainable.

In the current economic environment, having a recognition and rewards program tailored to the needs of your specific audience is especially critical after a long, lean economic period. Because much has been asked of employees during the darkest months of the recession, it is critical to let them know now that their hard work furthers the success of the entire organization, that it is acknowledged and valued.