



Making Recognition Programs Successful

Research Highlights from the O.C. Tanner and Aon Hewitt Study on Recognition Trends

Understanding what factors create and sustain effective recognition programs is essential to maintaining a motivated workforce. This study sought to understand which forms of recognition work, identify the elements of a healthy program, and what the outcomes are.

Driving performance doesn't have to drive costs. Recognition programs can deliver cost-effective solutions that build a profit and growth-oriented mindset. In fact, recognition forms an important part of the talent management toolkit and has critical linkages to total rewards, engagement, the employee value proposition, and communication.

Effective programs have measurable results: increases in engagement, performance, and retention are outcomes of successful recognition programs. The chart on the right shows that recognition can create over a 40% increase in engagement, even in situations where pay is substandard.¹

After studying the most effective recognition programs of 478 organizations, we found several common factors:

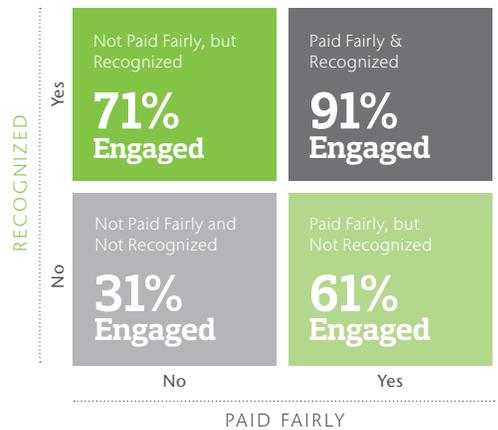
- Senior leadership buy-in and management support are the greatest enablers to successful programs.
- Reviewing the program annually ensures that it is operating well by determining which rewards are working and if the right individuals are being recognized.
- Costlier isn't better; the most effective programs take advantage of non-monetary vehicles for recognition.

¹ Oehler, K. and Adair, C., "2015 Trends in Global Employee Engagement," Aon, 2015.

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Employees are more engaged when they are recognized



Demographics

Respondents with a Recognition Program

Of those we surveyed, 478 of the respondents (74% of all respondents) had a recognition program and 172 (26%) did not. Respondents that did not have a program did not continue with the survey.

Position

Our sample showed less variation in terms of the respondents' organizational position: 9% of our respondents were individual contributors, 54% were managers, 25% were director-level, 7% were EVP, SVP, VP, and 5% were C-suite.

Role

Our respondents overwhelmingly were from HR functions (69%). We also had respondents from Benefits (5%), Compensation (4%), Staffing (4%), and Talent Management (4%).

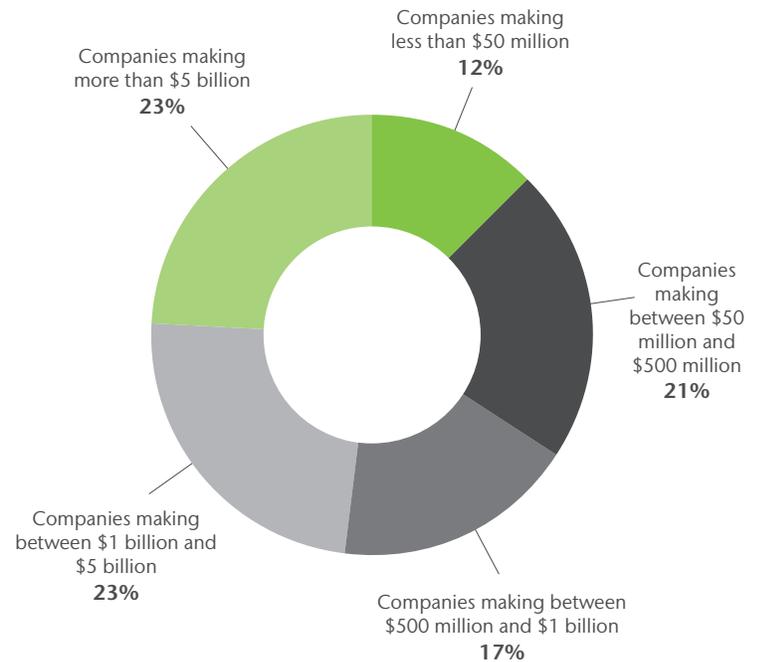
Number of Respondents Per Country:

Canada	21
Germany	22
India	11
United Kingdom	28
United States	396

Industries

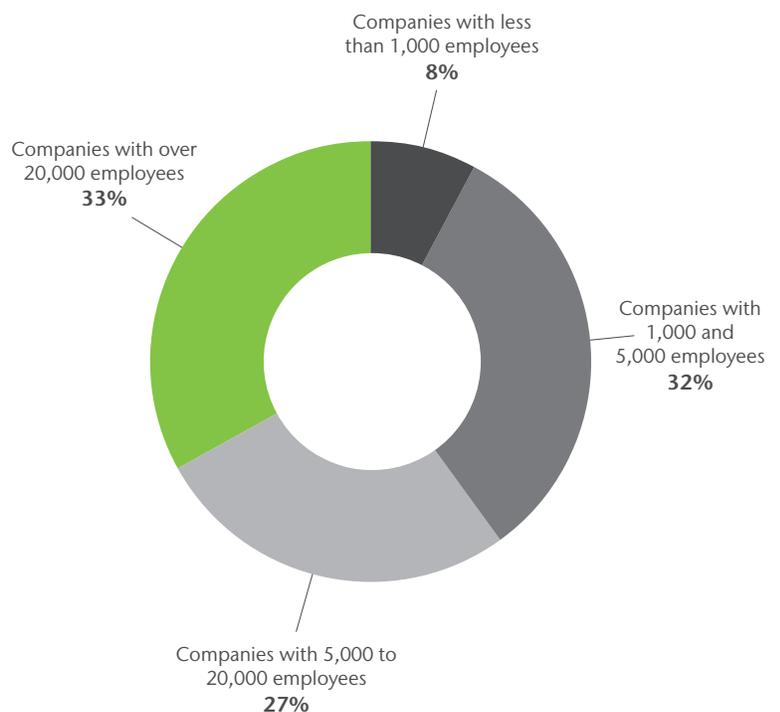
- Consumer Goods
- Entertainment and Leisure
- Financial Services
- Freight Transportation
- Government/Nonprofit and Education Services
- Health Care
- Heavy Industry
- Knowledge Services
- Manufacturing
- Multibusiness
- Pharmaceutical and Chemicals
- Retail and Wholesale Trade
- Technology and Communications
- Utilities (Including Oil and Gas)

Revenue



*Responses do not add up to 100 due to data rounding in analysis process.

Number of Employees



Goals and Outcomes of Recognition Programs

Business Goals

In an uncertain economic environment, all firms are focused on the bottom line, therefore growth needs to be profitable. Ultimately this was the top priority for our respondents, who indicated revenue and profitable growth as their top business priorities.

In addition, there is a clear focus on managing customer and client relationships. This is about both retaining and acquiring clients/customers. It naturally follows therefore that operational efficiency is also top of mind.

Our respondents wanted to deliver the best product to their clients/customers in the most efficiency way. However, there was also a balancing act with quality, which appeared as the fifth most common business goal.

One interesting distinction is that respondents that self-reported as managers ranked operational efficiency and quality higher, while respondents who were more senior (EVP, SVP, VP, and C-Suite) ranked more strategic goals such as profitable and revenue growth higher.

Rank	Business Goal
1	Profitable growth
2	Revenue growth
3	Customer or client service/relationship
4	Operational efficiency
5	Quality
6	Human capital/Talent management
7	Safety
8	Innovation
9	Technology
10	Global expansion
11	Restructuring
12	M&A (Mergers and Acquisitions)

Recognition Outcomes

Our respondents' programs had a hard focus on quantifiable, measurable outcomes: engagement, performance, and retention. These metrics are extremely useful in proving the return on investment of a recognition program as they can be tied to the bottom line in many cases and help to drive growth.

In addition, we see 'build a culture of recognition' and 'reinforce company values' taking the third and fifth rank. Organizations are utilizing these programs to help drive recognition and communicate values throughout the organization. This reinforces the idea of recognition as an important part of holistic talent management.

Rank	Recognition Outcomes
1	Improve engagement
2	Drive employee performance
3	Build a culture of recognition
4	Improve retention
5	Reinforce company values
6	Demonstrate employee value proposition
7	Reinforce specific desired behaviors
8	Encourage innovation
9	Improve alignment of individual performance to business unit/Organizational goals
10	Attract talent
11	Differentiate top and solid performers
12	Acknowledge years of service
13	Drive or support change

Overall Recognition Vehicles

Currently Using

Thank-yous from peers, public recognition by senior leadership, and handwritten notes are currently among the most frequently used recognition vehicles.

Gift/merchandise and trophies and symbolic awards also rank highly, indicating many organizations utilize a mix of both monetary and non-monetary vehicles. Used in conjunction, these vehicles help to create a culture of recognition and actively involve employees at all levels. Our respondents typically used a range of three to five vehicles as a part of their overall program.

Stopped Using

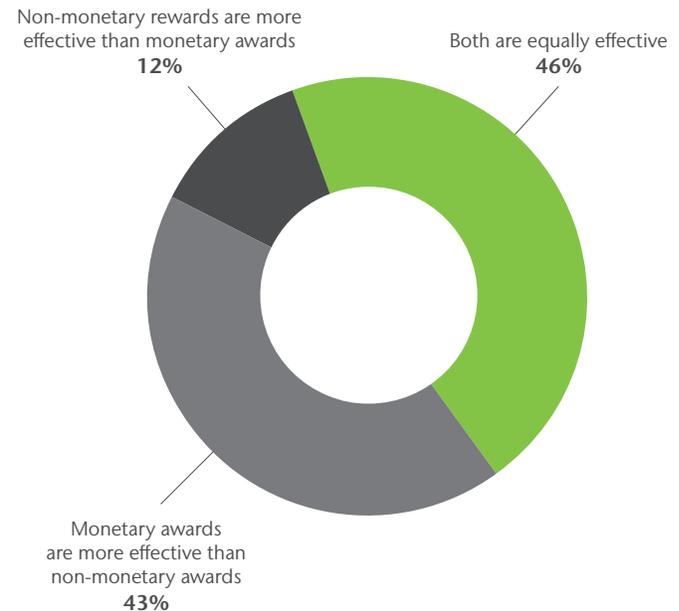
The table below shows the top vehicles that organizations have stopped using. Cash, gift/merchandise, pre-paid gift cards, and event tickets topped the list.

Gift/merchandise appears in all categories, due to its overall popularity as a recognition vehicle, and also due to the fact that it is integrated into many of our respondents' programs.

Plan to Use

Future plans for a redeemable points system indicate the potential for more transparent reward systems. The use of a redeemable points system is promising, as this gives employees a choice to translate their points into a vehicle they find most meaningful.

Which do you find is more effective at your organization, monetary or non-monetary rewards?



*Responses do not add up to 100 due to data rounding in analysis process.

How do organizations use recognition vehicles? (Top 5)

Stopped Using	%	Currently Using	%	Plan To Use	%
Cash	21%	Thank-yous from peers, managers, or next-level managers	74%	Redeemable points system	15%
Gift/Merchandise	18%	Public recognition by senior leadership	66%	Gift/Merchandise	14%
Event Tickets	18%	Gift/Merchandise	64%	E-card	13%
Pre-paid Cards (Visa, Amex, etc.)	17%	Trophies and symbolic awards	55%	Vacation or company-paid trip	13%
Vacation or company-paid trip	17%	Handwritten notes	54%	One-on-one time with leader	13%

Industry-Specific Recognition Vehicle Usage

Vehicles by Industry

As the table below suggests, the vehicles that were utilized differed by industry. In healthcare, for example, the focus of recognition was on sincerely thanking employees, and providing experiences such as a vacation or company-paid trip. These correspond with the massive changes to the healthcare industry in recent years: firms want to acknowledge loyalty while also supporting the climate of change.

For financial services, the primary goal was to drive employee performance. In keeping with these goals, these organizations chose to utilize their leaders as an important part of their recognition vehicle mix. This makes sense given the competitive nature of the financial industry where success is easily quantified.

Other industries, such as freight transportation also showed major differences compared to the larger respondent pool.

Case Study: Recognition in Freight Transportation

Recognition can be a challenge when most of your employees' time is spent on the go. We spoke with one HR leader in the freight transportation industry, who stressed the importance of making recognition meaningful, "employees always come up with new suggestions, which we carefully review and implement." Their recognition team then communicates these changes to employees, which helps to reinforce the idea that employee feedback is central. The organization is very decentralized, and not every center has the same reward structure, so autonomy and frequent feedback is key to creating a culture of recognition.

The HR leader finds this method to be very effective and sees recognition as integral in helping to reinforce company values and objectives. "As [order] accuracy has increased, so have our rewards, which creates a positive cycle" she explained. This freight transportation company also utilizes recognition with contingent workers, who as we will see later make up an important part of driving a culture of recognition throughout the organization.

Industry-specific usage of recognition vehicles (Top vehicle in each category)

	Vehicles Stopped Using	Currently Using	Plan To Use
 Consumer Goods	Cash/one-on-one time with leader (tie)	Thank yous*	Redeemable points system
 Financial Services	Trophies and symbolic awards	Public recognition by senior leadership	One-on-one time with leader/e-card/cash (tie)
 Freight Transportation	Retail gift cards/cash (tie)	Thank yous*	One-on-one time with leader
 Healthcare	Pre-paid cards	Thank yous*	Vacation or company-paid trip
 Retail and Wholesale Trade	Cash	Thank yous*	Internal social media recognition

* Thank yous from peers, managers or next level managers

Program 1—The Most Effective Recognition Program (N=478)

Situations for usage

Recognizing performance is central to Program 1—what respondents indicate as their most effective recognition program. Organizations focused their most effective program on driving performance at both the individual and team levels. However, in contrast to performance management programs, recognition tends to target year-round contributions rather than an annual rating. In fact, four out of the top five situations focus on performance. Innovation is also considered highly important.

Rank	Situations
1	Individual performance
2	Team performance
3	On-the-spot performance
4	Innovative thoughts/suggestions
5	Project-based performance
6	Customer/client feedback
7	Demonstrating cost savings
8	Contribution to safety
9	Tenure/loyalty
10	Process improvement
11	Annual performance
12	Attendance

Outcomes

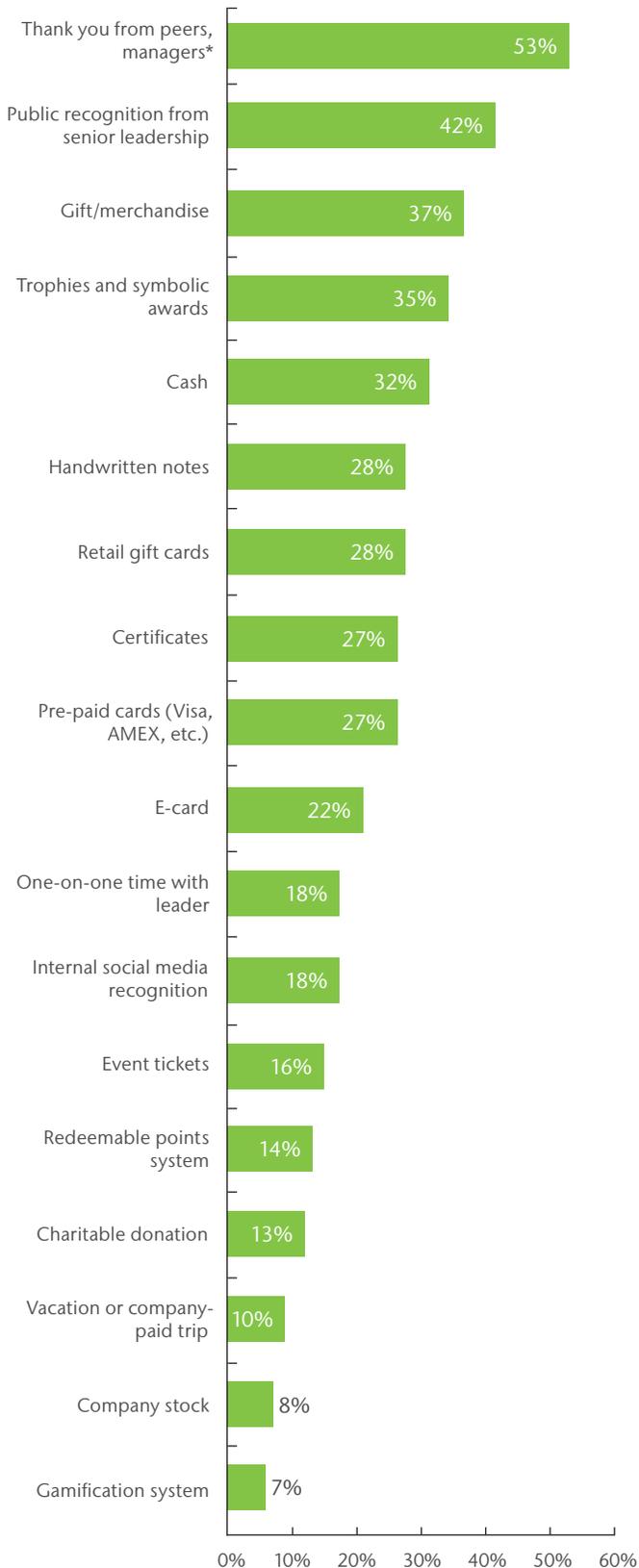
Evidenced by the top rank in recognition outcomes, organizations want recognition to be holistic and permeate throughout all levels. Building a culture of recognition requires careful cultivation of the link between behavior and outcome as well as awareness of the importance of recognizing employees regularly. This makes the tie to performance that much more transparent for employees.

While the most popular outcome was building a culture of recognition, the other top outcomes were quantifiable. This demonstrates a continuing emphasis on proving the ROI of these programs.

Rank	Outcomes
1	Build a culture of recognition
2	Drive employee performance
3	Improve engagement
4	Reinforce company values
5	Improve retention
6	Encourage innovation
7	Drive team performance
8	Reinforce specific desired behaviors
9	Demonstrate employee value proposition
10	Improve alignment of individual performance to business unit/ organizational goals
11	Differentiate top and solid performers
12	Acknowledge years of service
13	Drive or support change
14	Attract talent
15	Complement quarterly/annual/other incentives
16	Reduce costs
17	Introduce new programs

Program 1—Recognition Vehicles

What are the most popular recognition vehicles?



Recognition Vehicles

Successful recognition hinges on making employees feel appreciated. The two most commonly used vehicles, thank-yous from peers and public recognition, are non-monetary. However, monetary vehicles such as gift/merchandise and trophies & symbolic awards also rank highly, again indicating that vehicles such as public recognition and gift/merchandise go hand in hand to make recognition more meaningful throughout the organization.

Gamification was the least commonly used vehicle, although many industries reported future plans for usage. This is likely because gamification systems require significant investment of time and resources.

As the table below suggests, the top two vehicles used by various industries differ.

	Rank 1	Rank 2
Consumer Goods	Thank you*	Cash
Financial Services	Thank you*	Public recognition by senior leadership
Freight Transportation	Thank you*	Trophies and symbolic awards
Healthcare	Thank you*	Public recognition by senior leadership/ trophies and symbolic awards
Retail and Wholesale Trade	Public recognition by senior leadership	Retail gift cards

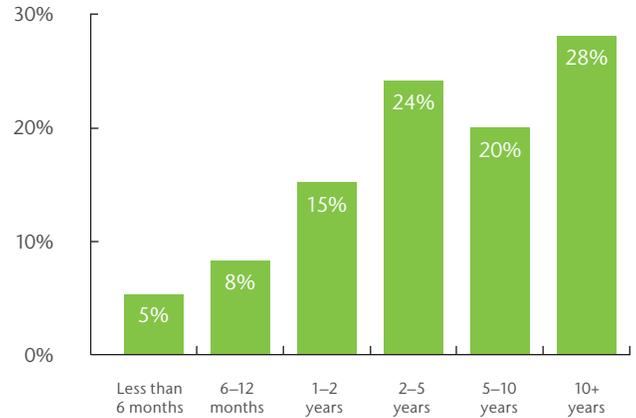
*Thank yous from peers, managers or next level managers

Program 1—Design

Duration

Successful recognition programs require time. Nearly half of respondents' most effective programs have been in place for more than five years. Although these programs may be effective, inertia might be an issue. These programs could benefit from a revisit.

How long were respondents' most effective program in place?

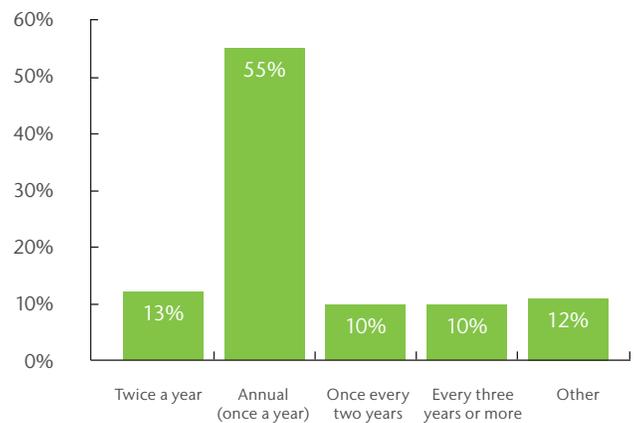


Frequency of Review

Reviewing recognition programs helps ensure their vitality and efficacy. Annual reviews are most common. Among companies that do not use annual reviews, the most common review frequency was less than once a year (13% of our respondents).

Respondents indicating "Other" most commonly cited quarterly or monthly reviews of their recognition programs, which might seem very frequent. However, this frequency of review makes sense given the importance of recognition and the desire to obtain continuous employee feedback.

How often did program reviews take place?



Program 1—Recognition Targets and Frequency of Use

Who Is Recognized?

Respondents indicated that recognition recipients were spread throughout the organizational hierarchy. Individual contributors were the most frequently recognized. Senior leadership is least recognized. This corresponds with leadership's role as recognizers rather than recipients.

Following the trend for organizations to focus their recognition programs on performance, we see that over a quarter of our profiled companies focus their recognition on top performers.

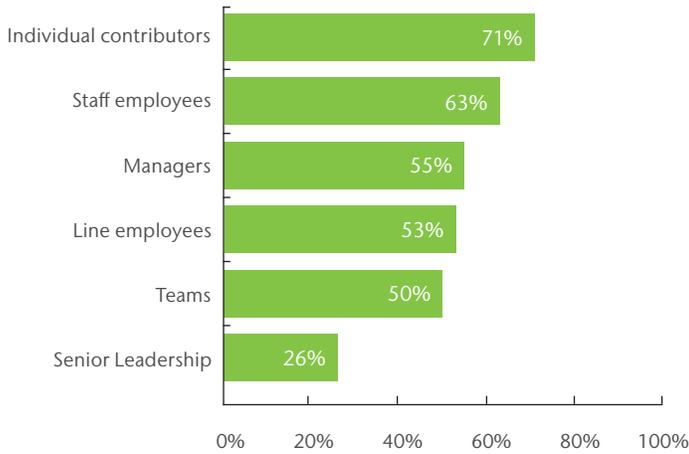
Who Recognizes and How Often?

The givers of recognition were typically immediate managers (66%), followed closely by senior leadership (64%). HR was also represented, but this may simply be due to the fact that many of these recognition programs are administered by HR.

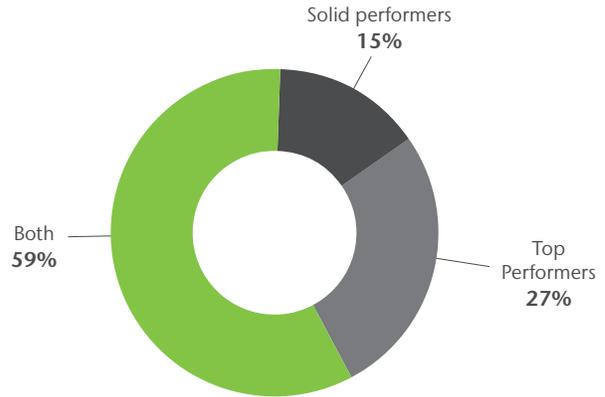
Peer-to-peer recognition was utilized by nearly half of our profiled organizations.

In terms of frequency of usage, it is promising that over 60% of the organizations saw their programs being used at least once a month by employees.

Recognition Recipients



Recognition Targets

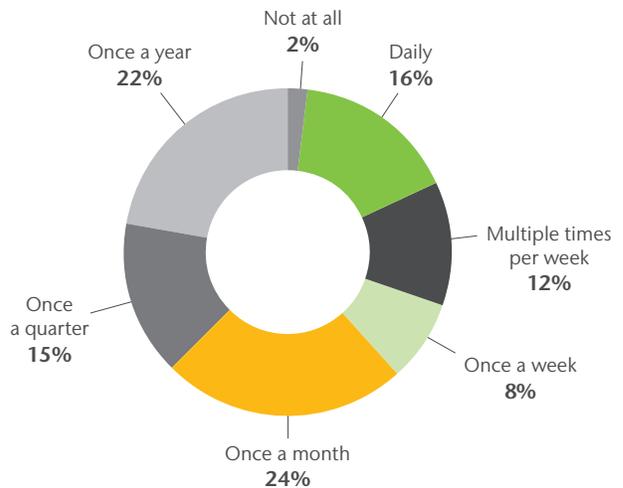


*Responses do not add up to 100 due to data rounding in analysis process.

Recognition Givers



Frequency of Usage



*Responses do not add up to 100 due to data rounding in analysis process.

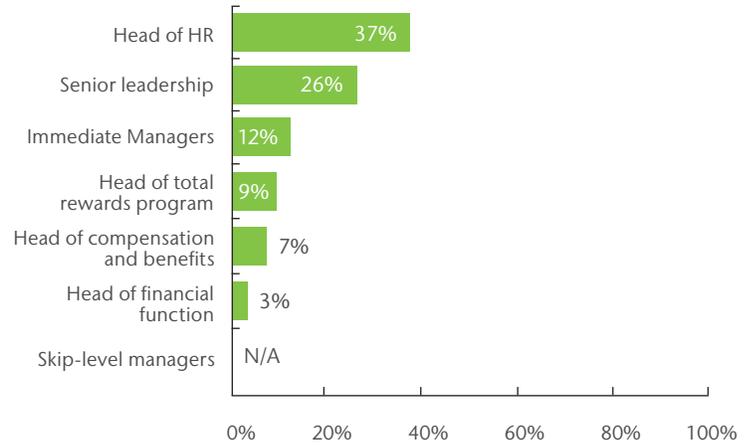
Program 1—Long-Term Effectiveness

Accountability

While the largest proportion of organizations indicated the head of HR (and therefore the HR function) is held accountable for the success of the program, it is interesting that over a quarter of our respondents highlighted senior leadership as accountable.

*Responses do not add up to 100 due to data rounding in analysis process.

Who is held accountable for the success of the program?



Enablers to Program Success

Senior leadership and management consistently rank highest as being vital to enabling recognition programs, however employee buy in is also critical. Recognition must be valued by those being recognized.

Additionally, meaningfulness of recognition also ranks high, further stressing the importance of employee involvement.

Availability of budget and resources is closely tied to senior leadership commitment, as these leaders typically approve monetary and employee resources. Ease of use of recognition program takes the fifth spot. One respondent summarized this succinctly: “Keep it simple. Get employee feedback.”

Rank	Enabler
1	Senior leadership commitment/ endorsement, company culture that embraces change
2	Manager and employee buy-in/usage
3	Meaningfulness of recognition offered (recognition available for a variety of accomplishments, given in a meaningful way, with meaningful awards)
4	Availability of budget and resources for recognition
5	Ease of use of recognition platform

Obstacles to Program Success

Budget is the greatest obstacle to recognition programs, indicating a need to get leaders involved often and also early in the planning process. The low perceived value of these programs by employees can be course-corrected by soliciting feedback and ensuring that recognition vehicles are effective organization-wide.

The third obstacle is a lack of value of the program, and points to the importance of linking recognition to strategic business priorities. As evidenced by the fourth and fifth rank, communication and measurement also plays an essential part of these programs. One respondent indicated their barrier as a “lack of consistency in utilizing program and publishing results.”

Rank	Obstacle
1	Budget constraints
2	Employees have low perceived value
3	Recognition is a lower priority than other business initiatives and not aligned to main business and workforce priorities
4	No ongoing communication or reminders of the program
5	No measurement or calculated ROI of recognition programs

Program 2—Second Most Effective Program (N=388)

Since most organizations had multiple recognition programs, we also asked organizations to give us details of their second most effective programs. The survey questions were identical to program one. Although it was interesting that most of the findings were largely similar, it was telling that 81% of organizations had a second recognition program. There were some differences in the situations of use and outcomes, which are presented here.



81%

Of our respondents had a second recognition program

Situations of Usage

Performance continues to be important as indicated by its top spot in the second most effective program, however tenure/loyalty also creeps upward in the second-most effective program compared to the first.

Program 2's emphasis on performance continues to reinforce the value of recognition programs as a method for accomplishing task-specific goals.

Rank	Situations
1	Individual above-and-beyond performance
2	Team performance
3	On-the-spot performance
4	Tenure/loyalty
5 (tie)	Project-based performance
5 (tie)	Innovative thoughts/suggestions
7	Customer/client feedback
8	Contribution to safety
9	Annual performance
10	Process improvement
11	Demonstrating cost savings
12	Attendance

Outcomes

Program 2 continues the focus on measurable, quantifiable outcomes. The primary difference is that building a culture of recognition loses standing in Program 2 and engagement becomes the top priority.

Rank	Recognition Outcomes
1	Improve engagement
2	Drive employee performance
3	Build a culture of recognition
4	Improve retention
5	Drive team performance
6	Reinforce company values
7	Reinforce specific desired behaviors
8	Encourage innovation
9	Demonstrate employee value proposition
10	Acknowledge years of service
11	Differentiate top and solid performers
12	Improve alignment of individual performance to business unit/ organizational goals
13	Drive or support change
14	Attract talent
15	Complement quarterly/annual/other incentives
16	Introduce new programs
17	Reduce costs

Effectiveness of Recognition Programs

What makes Recognition Programs effective?

The effectiveness of recognition programs varies by generation and employment status. Recognition programs are most effective among full-time employees, Baby Boomers, and Generation X as the graph below suggests.

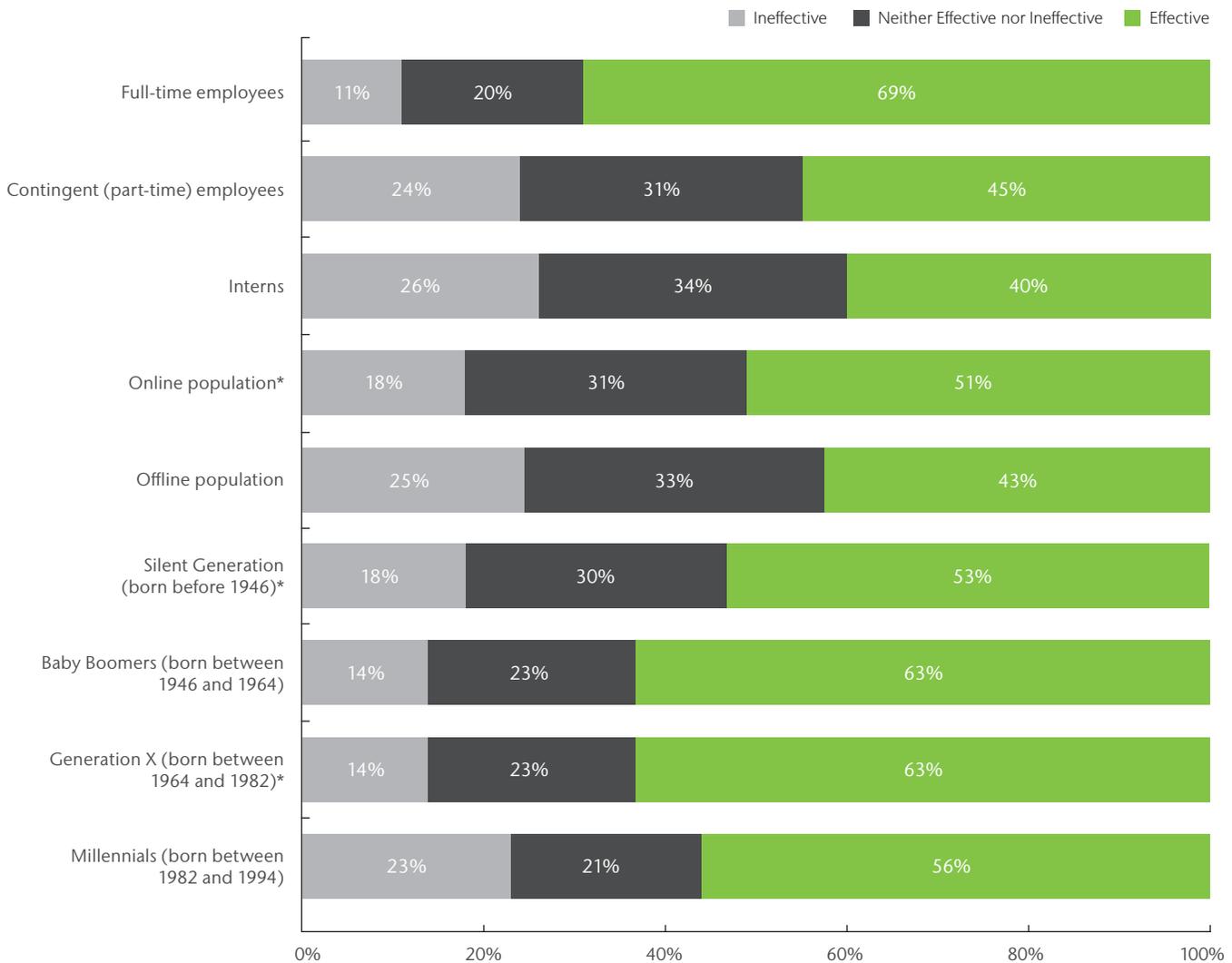
The fact that recognition programs are ineffective among almost a quarter of contingent employees and interns is troubling, as the use of contingent workers is on the rise and will likely continue to grow in the years to come. Interns also become the full-time workers of the future, and an effective recognition program may just be the difference between the choice to work for one company over another.

One of the most pressing questions to answer is how recognition can be targeted better at Millennials—the age group for which recognition programs have the lowest levels of effectiveness. When we compared the mix of vehicles for those organizations that said their programs were effective for Millennials against those that said they were ineffective, the largest differences were in the usage of vehicles such as hand written notes, thank yous, and event tickets.

We speculate that event tickets shows a large difference due to the fact that they provide an experiential reward as opposed to a static one. This ties in with the theme of recognition programs being meaningful for the target audience.

How Effective Are Our Respondents' Programs?

Note: Respondents answered using a five-point Likert scale. We compressed the responses “very effective” and “very ineffective” into an overall effective and ineffective value, respectively.



*Responses do not add up to 100 due to data rounding in analysis process.

Conclusion

As we saw from the program enablers, organizations must get senior leadership and management commitment to ensure program success. If these programs do not have the blessing of the top of the organization, they may be well-intended, but simply fall flat due to monetary or human capital constraints. The recognition itself must also be meaningful and easy to use or organizations risk underutilization of the program.

The changing landscape of the workforce means that firms will need to look toward more innovative forms of recognition and will have to reconfigure their reward programs and vehicles as the Boomers age into retirement and Millennials become dominant in the labor market. Further, recognition programs are not simply 'set it and forget it' programs; they require careful attention and periodic updates. We found that organizations are seeking to build a culture of recognition whose programs have a focus on ROI, showing an intimate linkage between recognition and the ability to achieve organizational goals.

Maintaining a competitive advantage requires an empowered workforce, and recognition is an important link to engaged employees who lead to better business results. Recognition will therefore continue to play an increasingly important role in the way that organizations think of talent management.

