

From the SHRM/Globoforce Survey

2015 EMPLOYEE RECOGNITION REPORT

CULTURE AS A COMPETITIVE DIFFERENTIATOR



EXECUTIVE SUMMARY

More than ever, companies are focusing on culture as a competitive differentiator. They're seeing first-hand how cultivating the right culture can engage, nurture, and attract employees and ultimately, increase bottom line business results. And for more companies than ever before, that best-in-class culture is predicated on recognition and appreciation.

Globoforce® conducts an annual survey in collaboration with the Society for Human Resource Management to elicit trends and insight from HR leaders and practitioners about their top workforce challenges and strategies to help address them.

This 2015 report examines best practices in employee recognition, unpacking what companies expect from employee reward and service anniversary programs, and what results they are experiencing. We looked in particular at these questions:

- ★ What are the top issues facing HR leadership today?
- ★ What are the most common practices around recognition and years of service programs?
- ★ What are the results companies are experiencing from values-based recognition programs?
- ★ What is the impact of service milestone programs?

OUR FINDINGS WERE

1. The top three challenges faced by HR organizations today are turnover, employee engagement, and succession planning.
2. Values-based employee recognition is seen as significantly contributing to bottom-line organizational metrics.
3. Values-based recognition programs are helping employers create a stronger culture and more human workplace.
4. Few companies have chosen to adopt gamification and eThanks in their recognition programs.
5. The top objective for years of service programs is employee appreciation, but many programs still fall short of the mark for inspiration and quality.
6. Organizations that invest in employee recognition and years of service programs experience better results.

1 / The top three challenges faced by HR organizations today are turnover, employee engagement and succession planning.

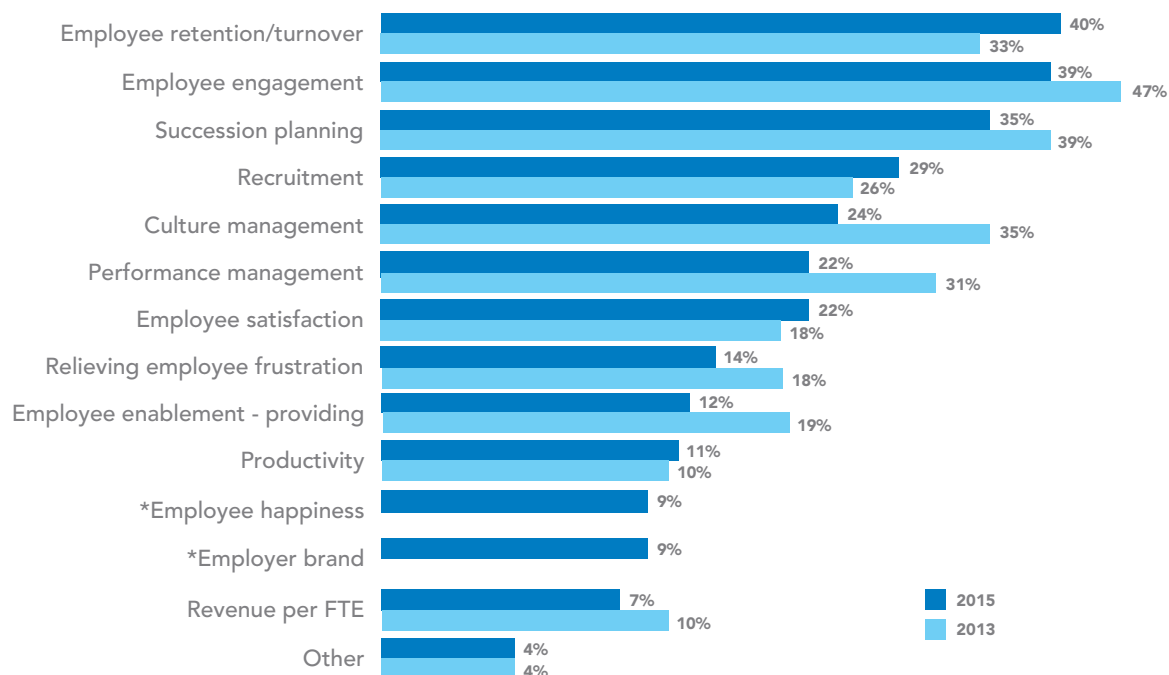
In 2013 and in 2012, when we asked this same question, employee engagement and succession planning topped the list of HR concerns. While they are still some of the top three challenges listed, it seems that growing concerns about turnover have finally overtaken them both. This is perhaps a sign of the growing war for talent, as anxiety about recruitment has also risen—to number four on the list.

This likely reflects broader economic news of a strengthening job market. According to U.S. Bureau of Labor Statistics, there were 5.4 million job openings in April 2015, the most in 15 years. There were also 5.0 million hires in April, near recent highs. Most telling was that for the first time ever since the BLS started tracking openings in 2000, employers reported more job openings than hires.

A strengthening job market means that more jobs are being filled, and many previously cautious employees may jump back into an active job search. Companies will need to take steps to ensure they don't lose valuable employees in the company year. This is likely why retention, recruitment and succession are rising tides in the organizational mind.

FIGURE 1

TOP ORGANIZATIONAL CHALLENGES CITED BY HR PROFESSIONALS



Q: What are the most important challenges you currently face in your organization?

Note: Percentages do not equal 100% due to multiple response options. An asterisk (*) indicates this response option was not available in 2013. Only organizations with an employee recognition and service anniversary program were asked this question.

TURNOVER

For years, analysts have been predicting a coming War for Talent, when demand for skilled labor will outstrip supply—especially true in technology and skilled manufacturing trades. Lower unemployment rates, combined with population fluctuation and the retirement of more baby boomers, likely means that this talent shortage is beginning to be felt. 40 percent of companies are reporting loss of personnel as a top concern. (Another 29 percent are stressed about finding replacement talent.)

EMPLOYEE ENGAGEMENT

Employee engagement is, for the third survey in a row, near the top of the list for HR challenges. However, in this year's survey there was an 8 percentage point drop from our last survey (in 2015, 47 percent of respondents chose engagement as a top concern, versus 39 percent in 2013.) This may be due to incremental growth in overall U.S. employee engagement (as reported most recently by Gallup.) Or—perhaps more likely—it is reflective of the greater availability of resources and tools, such as pulse surveys and recognition programs, to help HR practitioners more effectively measure and proactively manage engagement levels.

SUCCESSION PLANNING

More than a third (35 percent) of the survey respondents cited succession planning as a top HR challenge. This may reveal pressures brought by lower retention rates—as many studies have shown lack of development is a leading driver of turnover. The desire to retain skilled talent and future leadership therefore leads many companies to redouble efforts to promote and train talent from within. HR leaders are looking for better ways to identify high potential employees, key influencers and future leaders within their organizations.

2 / Values-based employee recognition is seen as significantly contributing to bottom-line organizational metrics.

Recognition—and in particular values-based recognition—is driving key metrics, according to HR leaders and practitioners. Survey respondents cite positive impact of their recognition programs on engagement, retention, safety, wellness, employer brand and even cost control goals.

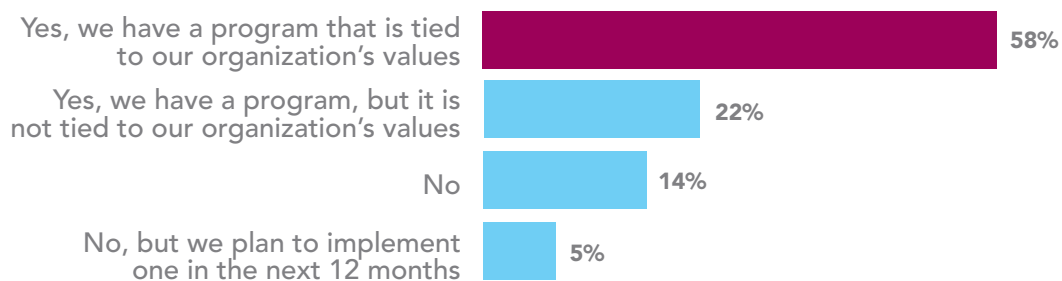
While the number of recognition programs remained strong, this 2015 SHRM/Globoforce Employee Recognition Survey found an uptick in the number of programs aligned to company values when compared with 2012. Moreover, companies with recognition programs that are not tied to values are underperforming expectations, while more companies with values-based recognition rated their programs as excellent or good.

In 2012, 76 percent of companies reported having recognition programs. Large organizations (25,000 or more employees) were more likely than mid-sized organizations (500 to 24,999 employees) to have an employee recognition program. One-half (50 percent) of all recognition programs were tied to company values.

In 2013, that number rose to 81 percent of companies, with 55 percent of companies practicing values-based recognition.

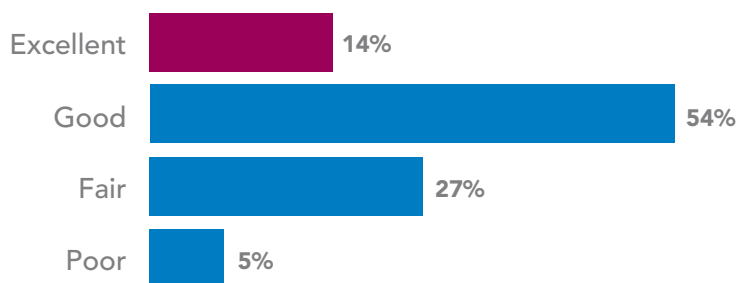
This year's survey also saw 81 percent of companies practicing formal recognition, but the number of companies basing that recognition on values rose to 58 percent from 50 percent in 2012.

FIGURE 2
ADOPTION OF RECOGNITION PROGRAMS



Q: Does your organization have an employee recognition program?

FIGURE 3
PERFORMANCE OF RECOGNITION PROGRAMS



Q: Overall, how would you rate your organization's current employee recognition efforts?

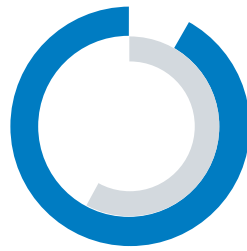
As companies seek to implement and justify employee reward and recognition, they must connect that investment to a bottom line business benefit. In this year's survey, a majority of respondents with values-based recognition programs reported that they were able to show these results. In fact those programs reported perceived positive results that were up to 20 percent higher than companies not practicing recognition tied to company values.

For example, recognition was perceived to positively impact engagement for 90 percent of respondents practicing values-based recognition, vs. just 67 percent for non-values-based programs. Retention was likewise affected—68 percent of values-based programs perceived a positive impact, vs. 41 percent for non-values-based programs. Values-based recognition programs were also more likely to have perceived positive impacts on safety (37 percent), sustainability or cost-control goals (36 percent), and health and wellness goals (29 percent.)

Values-based recognition is also proving to be a benefit in building a magnetic employer brand. A full 66 percent of companies with values-based recognition said their recognition program is helping them build a stronger employer brand—vs. only 28 percent of those with non-values-based recognition.

FIGURE 4
STRONG PERCEIVED
IMPACT OF VALUES-
BASED RECOGNITION

*Q: In your professional opinion,
does your employee
recognition program:*



90% say it positively impacted **engagement**, vs. 67% without a values-based recognition program



68% say it positively impacted **retention**, vs. 41% without a values-based recognition program



37% say it positively impacted **safety**, vs. 23% without a values-based recognition program



36% say it positively impacted **sustainability or cost-control goals**, vs. 14% without a values-based recognition program



29% say it positively impacted **health and wellness goals**, vs. 13% without a values-based recognition program



66% say it helped build a stronger **employment brand**, vs. 28% without a values-based recognition program

3 / Values-based recognition programs are helping employers create a stronger culture and more human workplace.

While business metrics help to convince executives to invest in recognition, more and more companies are using recognition as the cornerstone in their strategies to build a best place to work. More than ever, culture is a key competitive differentiator, and employers are seeking ways to manage culture and reinforce core values. According to the results of our survey, companies are finding that recognition—particularly when linked to a company's core values—can help them create and manage a happier, more meaningful, human work environment.

HR professionals are beginning to see tangible long-term value in building a best-in-class work culture, predicated on strong relationships, an interest in employee happiness, and a strong emphasis on employee development. As they seek to create these best-in-class cultures, a majority of respondents say they are seeing strong results from their recognition and reward programs. And again, the strongest results come from those programs tied to company values.

Employee happiness is one of the strongest results seen from recognition, with 86 percent of values-based programs citing an increase in worker happiness. This is closely followed by improvements in employee relationships (84 percent) and in adding more humanity to the workplace, overall (85 percent.)

Perhaps not surprisingly, 88 percent of HR leaders and practitioners say that values-based recognition helped them to instill and reinforce corporate values—vs. only 42 percent in non-values-based programs. But nearly half of respondents (48 percent) say that recognition is directly helpful to them in actively managing culture. And 31 percent of companies even feel that recognition based on values helps them meet learning and development goals—most likely due to the strong connections between L&D and positive goal reinforcement.

FIGURE 5
**VALUES-BASED
RECOGNITION IS
CREATING A MORE
HUMAN WORKPLACE**

*Q: In your professional opinion,
does your employee
recognition program:*



86% say it increased employee **happiness**, vs. 70% without a values-based recognition program



84% say it improved employee **relationships**, vs. 66% without a values-based recognition program



31% say it helps meet **learning and development goals**, vs. 11% without a values-based recognition program



88% say it helps instill and reinforce **corporate values**, vs. 42% without a values-based recognition program



48% say it helps with **culture management**, vs. 20% without a values-based recognition program



85% say it adds **humanity in the workplace**, vs. 70% without a values-based recognition program

4 / Few companies have chosen to adopt gamification and eThanks in their recognition programs.

In the Spring 2014 Workforce Mood Tracker, Globoforce surveyed U.S. employees about their views on gamification and the use of eThanks (with no associated reward) in recognition. Surveyed workers felt gamification was inappropriate for use in recognition, as it rewarded the wrong behavior, and they did not believe that gamification (badges and leaderboards, etc.) was a positive addition to recognition. They said gamification was not motivating when recognizing others, and it did not motivate them to work harder. Likewise, in that report only 4% of employees found eThanks (award without gift or monetary value) to be a memorable form of recognition. Employees indicated that a thank you that came with an associated gift or reward was the most powerful and lasting form of recognition, but eThanks without a gift were unsatisfying in this regard.

In this report we wanted to gather insight on these questions from the perspective of HR leaders and practitioners, specifically inquiring as to whether they use these techniques widely in their programs, or avoid them.

We found that only a small minority of companies are using gamification or relying strongly on eThanks in their recognition programs. Instead, 88 percent of companies do not use leaderboards rankings or badges, and 87 percent of companies do not rely strongly on eThanks in their programs.

FIGURE 6
FEW COMPANIES USE GAMIFICATION TECHNIQUES

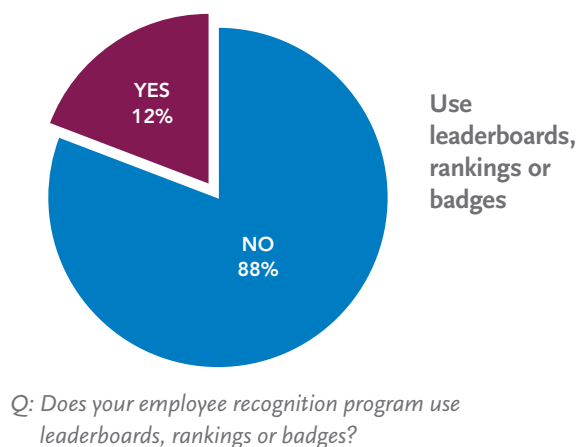
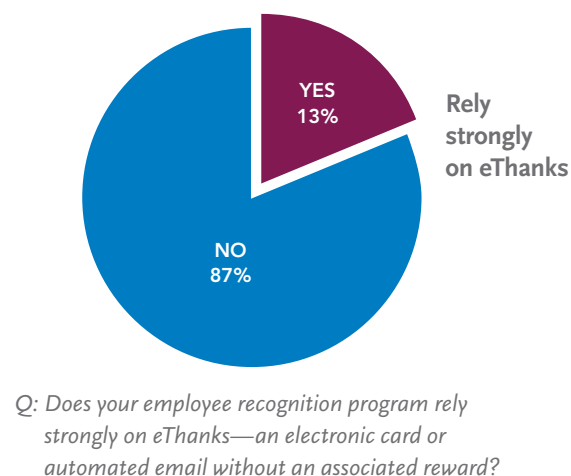


FIGURE 7
FEW COMPANIES RELY STRONGLY ON eThanks



5 / The top objective for years of service programs is employee appreciation, but many programs still fall short of the mark for inspiration and quality.

Years of service (YOS) programs are still widely practiced in today's organizations, according to results of the 2015 SHRM/Globoforce Employee Recognition Survey, with 74 percent of companies reporting they have a service anniversary program. However, only 22 percent of companies reported having an excellent program, 47 percent rated it as good and a full 31 percent rated their program as fair or poor.

While the prevailing wisdom is that companies implement service awards to drive retention and loyalty, our survey responses indicate a different story. By far the top objective for YOS programs is to appreciate employees (88 percent.) This was followed by ambitions to increase employee satisfaction or happiness (73 percent), renew emotional commitment to the organization (69 percent) and to raise engagement levels (68 percent.) Interestingly, reduction of turnover was #9 on the list, with only 45 percent of companies pursuing this as a top objective.

The most common anniversaries to be celebrated are five years (90 percent), ten years (92 percent), twenty years (89 percent) and twenty-five years (88 percent.) Two year or seven year anniversaries were less common. Periodic awards in increments of every five or every ten years were most common. Interestingly, more than a quarter (28 percent) of companies are celebrating first year anniversaries.

The most common complaints HR practitioners hear about service awards are with regard to a poor or inadequate award selection (32 percent), a lack of impact (30 percent) or that they are inconsistent (25 percent) or impersonal (20 percent.)

How do HR practitioners think YOS can be improved? The most common desire (35 percent) was for a more inspiring experience. Other wishes include more participation from senior leaders (22 percent), better quality award choices (22 percent), more participation from managers (21 percent) and from colleagues and work friends (19 percent.)

FIGURE 8
COMMON SERVICE ANNIVERSARY CELEBRATIONS

Q: Which service anniversary milestones does your organization celebrate? Select all that apply.

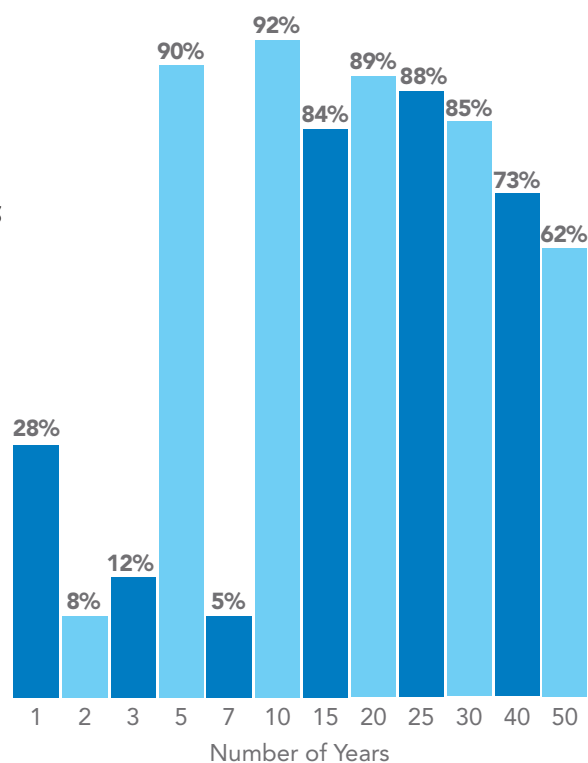


FIGURE 9
TOP OBJECTIVES FOR SERVICE ANNIVERSARY PROGRAMS

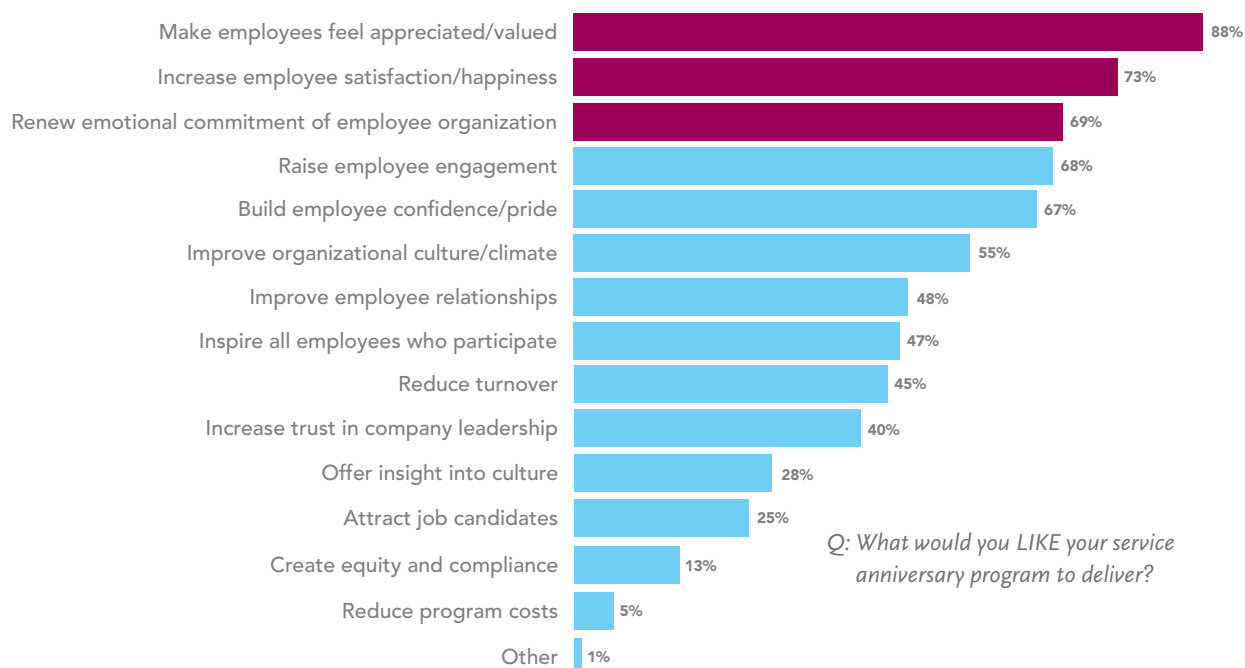


FIGURE 10

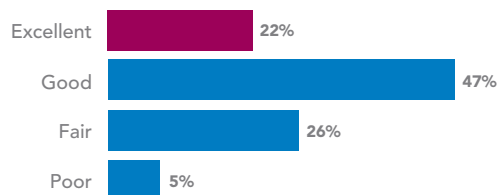
MOST COMMON CONCERNS AND NEGATIVE FEEDBACK FROM EMPLOYEES



Q: What are the biggest concerns or negative feedback you hear from employees about your service anniversary program?

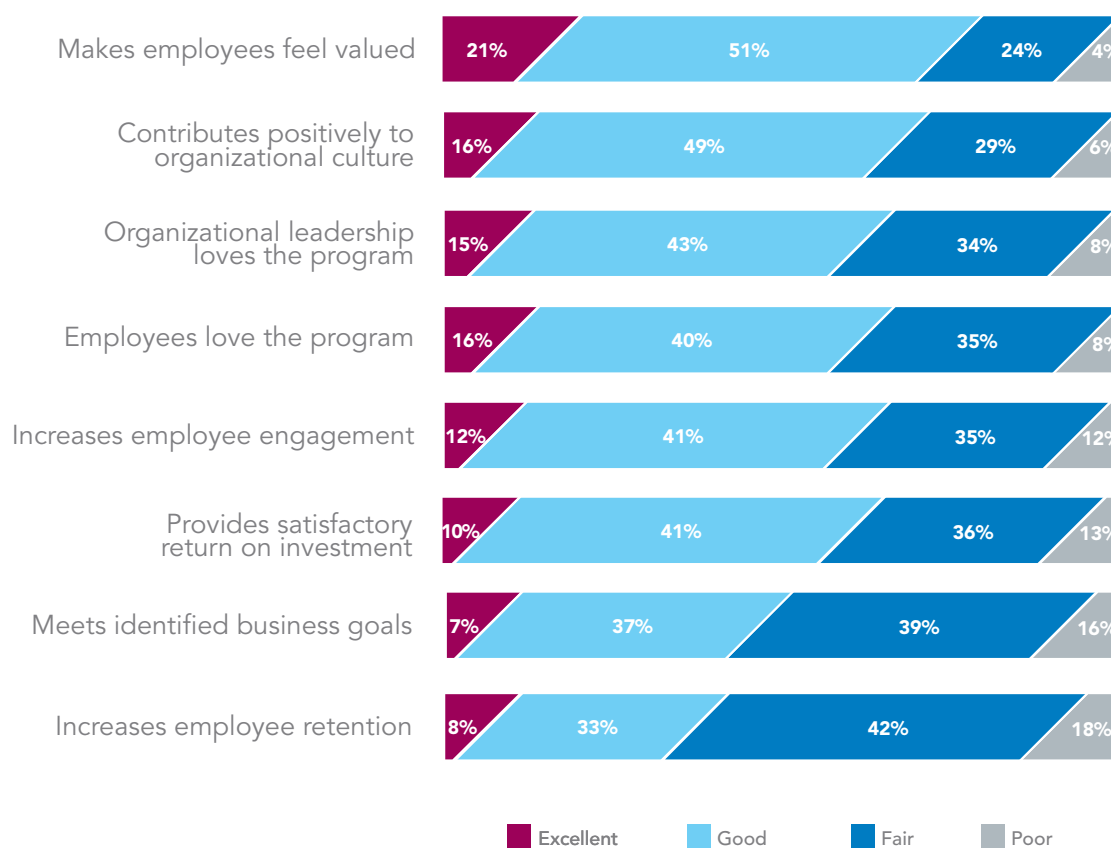
FIGURE 11

OVERALL RATING OF CURRENT SERVICE ANNIVERSARY PROGRAMS



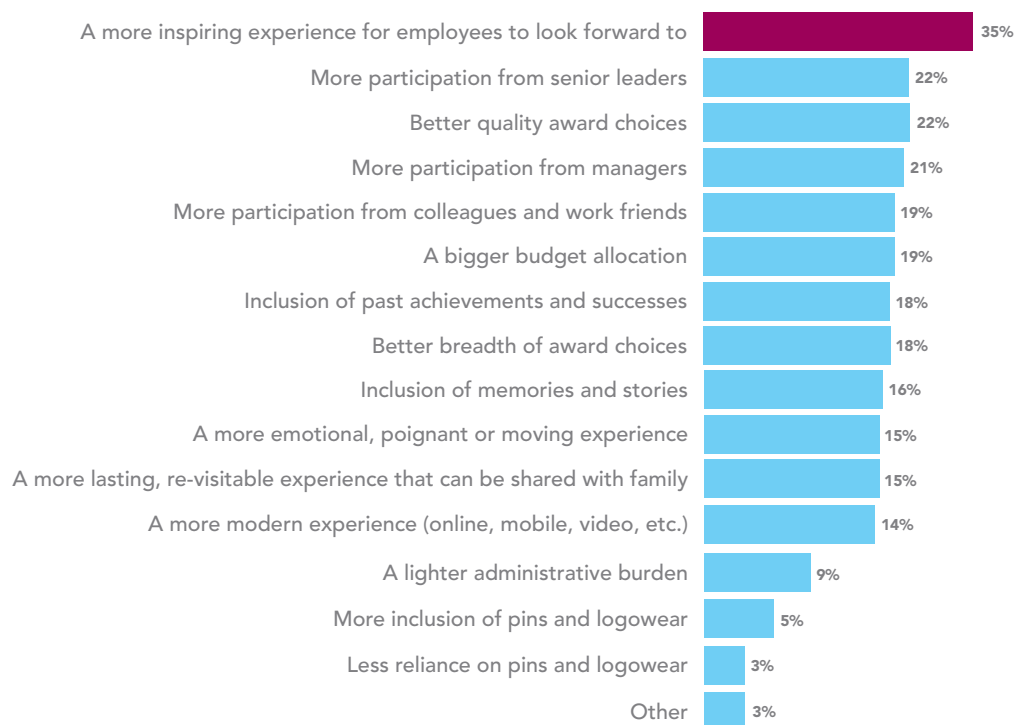
Q: Overall, how would you rate your organization's current service anniversary recognition efforts?

FIGURE 12
RATINGS OF CURRENT SERVICE ANNIVERSARY PROGRAMS



Q: Rate your current service anniversary program based on the following criteria.

FIGURE 13
WHAT WOULD IMPROVE THE YEARS OF SERVICE PROGRAM?



Q: Which elements do you think would most improve the effectiveness of your service anniversary program? Select up to 3 options.

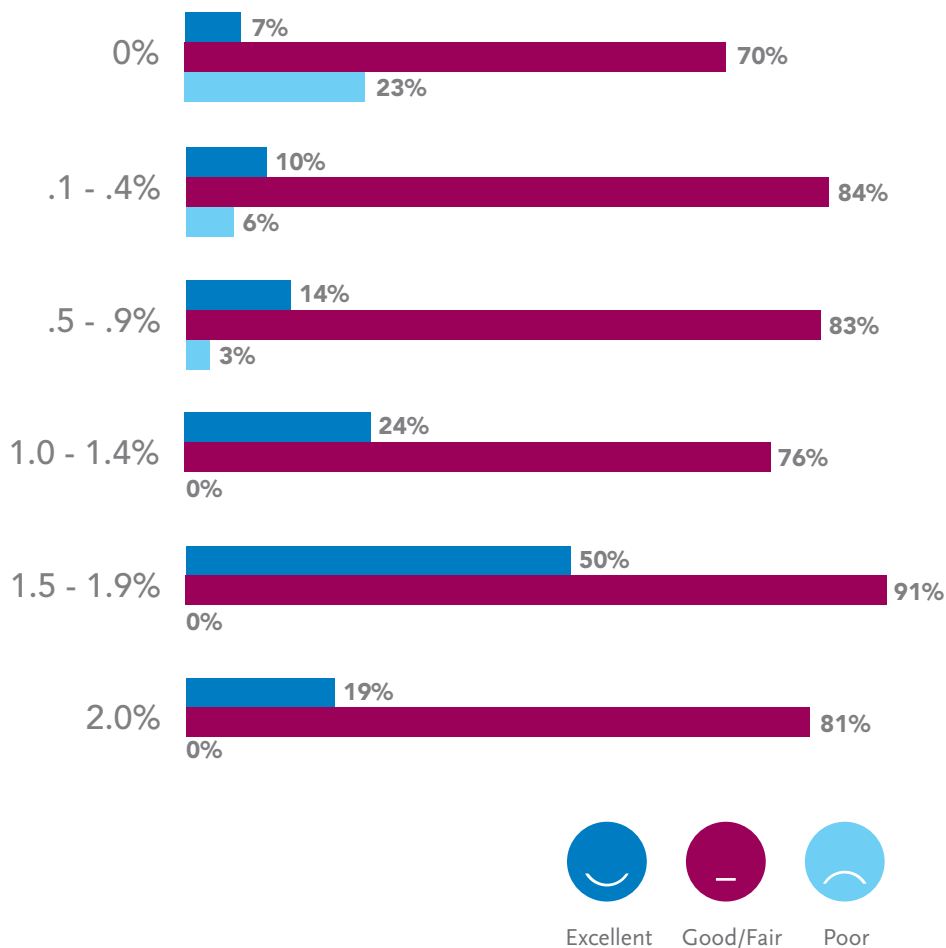
6 / Organizations that invest in employee recognition, and years of service programs experience better results.

One question often asked by HR is what is best practice for spend in recognition or YOS programs. The 2015 SHRM/Globoforce survey asked HR leaders and practitioners what they are currently spending for these programs, and then compared that with respective levels of satisfaction for these programs.

Overall this survey found that the most effective recognition programs are spending more than 1% of percent of payroll on employee recognition rewards. This is in line with previous report findings that have shown that companies who spend more than 1 percent of payroll on recognition show better results. In part, this is likely due to a desire for employees to have tangible proof of their value to accompany specific messages of appreciation.

FIGURE 14

EFFECTIVENESS OF RECOGNITION PROGRAM SPEND



Q: Approximately, what percent of your organization's payroll was dedicated to employee recognition programs in fiscal year 2014?

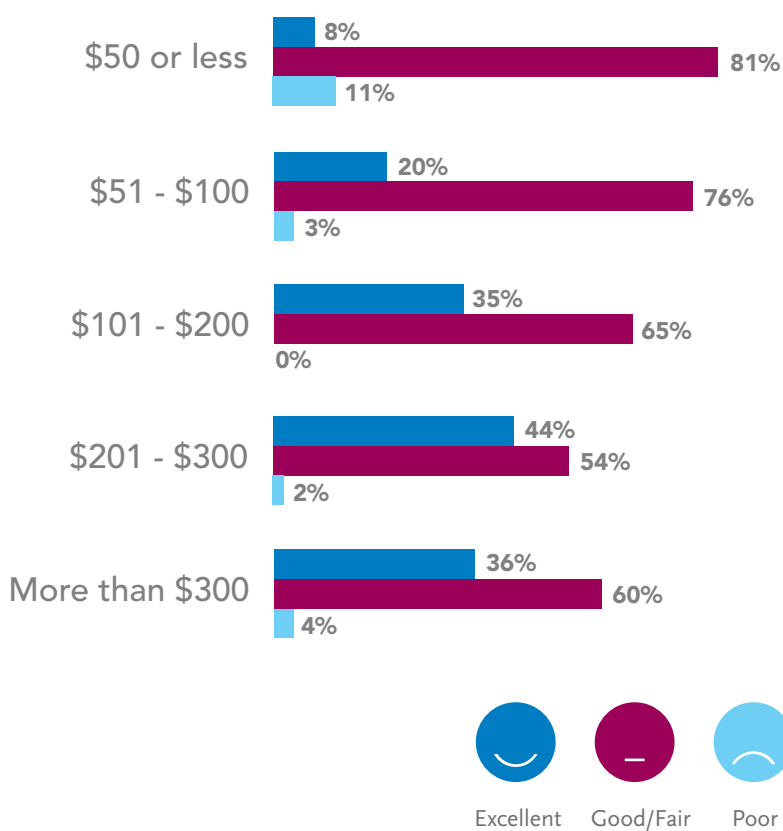
Compared with

Q: Overall, how would you rate your organization's current employee recognition efforts?

Years of service spend is more challenging to calibrate because of inconsistent practices and experiences around YOS. But when we compared Spend Per Employee (SPE) to levels of effectiveness we found that a SPE of between \$100 and \$300 had the highest ratings among HR executives.

FIGURE 15

EFFECTIVENESS OF YEARS OF SERVICE PROGRAM SPEND PER EMPLOYEE



Q: What is your average per employee spend on service anniversary awards?

Compared with

Q: Overall, how would you rate your organization's current service anniversary recognition efforts?

CONCLUSION

In this 2015 Employee Recognition Survey, we looked at the impact of recognition in today's organizations—and in particular the impact of recognition that is closely affiliated with organizational values. It was quickly apparent how recognition is more and more engrained into fabric of corporate cultures than even a few short years ago when we began this series of reports.

More than ever, recognition is not only present in today's companies, but those companies are able to point to recognition as an initiative or program that is yielding important, measurable results for them in areas such as employee happiness, retention and ROI. Companies who make a commitment to recognition and milestone awards are experiencing better results, and seeing difference in measurements of both culture and business results.

This focus on creating a thriving culture is probably no coincidence, given the concerns so many companies are expressing about turnover and attracting and keeping talent. Stronger cultures are more magnetic, and it is apparent from these results that recognition is an important ingredient to many companies in building best places to work.

2015 REPORT FINDINGS

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4. Few companies have chosen to adopt gamification and eThanks in their recognition programs.
5. The top goal for years of service programs is employee appreciation, but many programs still fall short of the mark for inspiration and quality.
6. Organizations that invest in employee recognition and years of service programs experience better results.

ABOUT THE SURVEY


The SHRM/Globoforce Employee Recognition Survey was commissioned by Globoforce and conducted by the Society for Human Resource Management from January 13 to February 4, 2015, and is the fifth deployment in a series of surveys since its launch in 2011.

This edition of the survey was sent to 6,000 randomly selected SHRM members at a manager level or above. The final sample of the survey was composed of 823 HR professionals who are employed at organizations with a staff size of 500 or more employees. The survey had a response rate of 14 percent and a margin of error of +/-3 percent.

Results include responses from organizations in the U.S. across a wide range of business to business and business to consumer industries.

ABOUT GLOBOFORCE®

Globoforce is a leading provider of social recognition solutions, helping companies build strong cultures of engaged employees through the power of thanks. Named one of the Best Workplaces by the Great Place To Work® Institute, Globoforce is trusted by some of most admired companies in the world to inspire and energize employees and create best places to work. Our award-winning SaaS technology and proven methodologies empower HR and business leaders to take a modern, more strategic approach to recognition programs. What results is measurable business success, qualified by increases in employee engagement, retention, and productivity. The company is the creator of the HR conference WorkHuman, designed to help organizations unlock the power of the human workplace. Globoforce is co-headquartered in Southborough, Massachusetts, and Dublin, Ireland.



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recognition and how it can drive
business results for you.



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