

O.C. TANNER INSTITUTE

# The Business Case for Recognition



# Employee recognition is more than an HR program—it has a profound impact on an organization's workplace culture and bottom line.

Employee recognition has a strong influence on an organization's workplace culture. Research on 10,000 employees in 12 countries shows that organizations who have a great culture are:

- 54% more likely to have employees that are Promoters on the standard NPS scale
- 53% more likely to have highly engaged employees
- 29% more likely to have employees innovating and performing great work
- 27% more likely to have increased in revenue last year
- 25% more likely to have growth in team size in the last year<sup>1</sup>

By creating a great workplace culture employees want to engage with, you'll see an improvement in business results. Employee recognition touches every aspect of your company culture and your employee experience—from recruiting, to engagement, productivity, innovation, and retention.

# Attracting Talent

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Prospective talent looks at more than just salary and benefits when evaluating a new job. Company culture and the employee experience are crucial signposts of a great place to work. A reputation for appreciating employees is one of the most effective levers companies can use to attract top talent.

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Gallup agrees: “In today’s war for talent, organizations and leaders are looking for strategies to attract and retain their top performers while increasing organic growth and employee productivity. But in their search for new ideas and approaches, organizations could be overlooking one of the most easily executed strategies: employee recognition.”<sup>2</sup>

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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 good relationships with leaders. Attractive salary came in at number 8.<sup>3</sup>

There are 6 aspects of workplace culture that make organizations a magnet for talent<sup>4</sup>:

- Purpose (connecting employees to your organization’s reason for being)
- Opportunity (providing opportunities to grow and develop)
- Success (employees innovating, doing meaningful work, feel like they are part of a winning team)



- Appreciation (feeling valued and appreciated for unique contributions)
- Wellbeing (employees' physical, social, emotional, and financial wellbeing)
- Leadership (good leaders who are mentors and create a sense of camaraderie)

Research shows that recognition significantly impacts all 6 of these areas. Recognition can help your organization be an attractive place to work.<sup>5</sup>



## Engagement

Unfortunately, employee engagement is still not high. A 2017 Gallup report shows 51% of the workforce is not engaged, and 16% are actively disengaged.<sup>6</sup> The good news? Research shows that when employees feel appreciated, engagement improves.



# 32%

increase in employee engagement  
when employees **feel** appreciated

# 26%

increase in employee engagement  
when employees **give** appreciation.<sup>7</sup>

Employees who receive strong recognition are more engaged overall and in 4 different areas: having a sense of drive and determination, feeling connected to the company, having strong work relationships, and understanding how their work makes a difference.<sup>8</sup>

## HIGHLY ENGAGED

Strong Recognition  **78%**

Weak Recognition  **34%**

## SENSE OF DRIVE AND DETERMINATION

Strong Recognition  **89%**

Weak Recognition  **44%**

## FEEL CONNECTED TO THE COMPANY

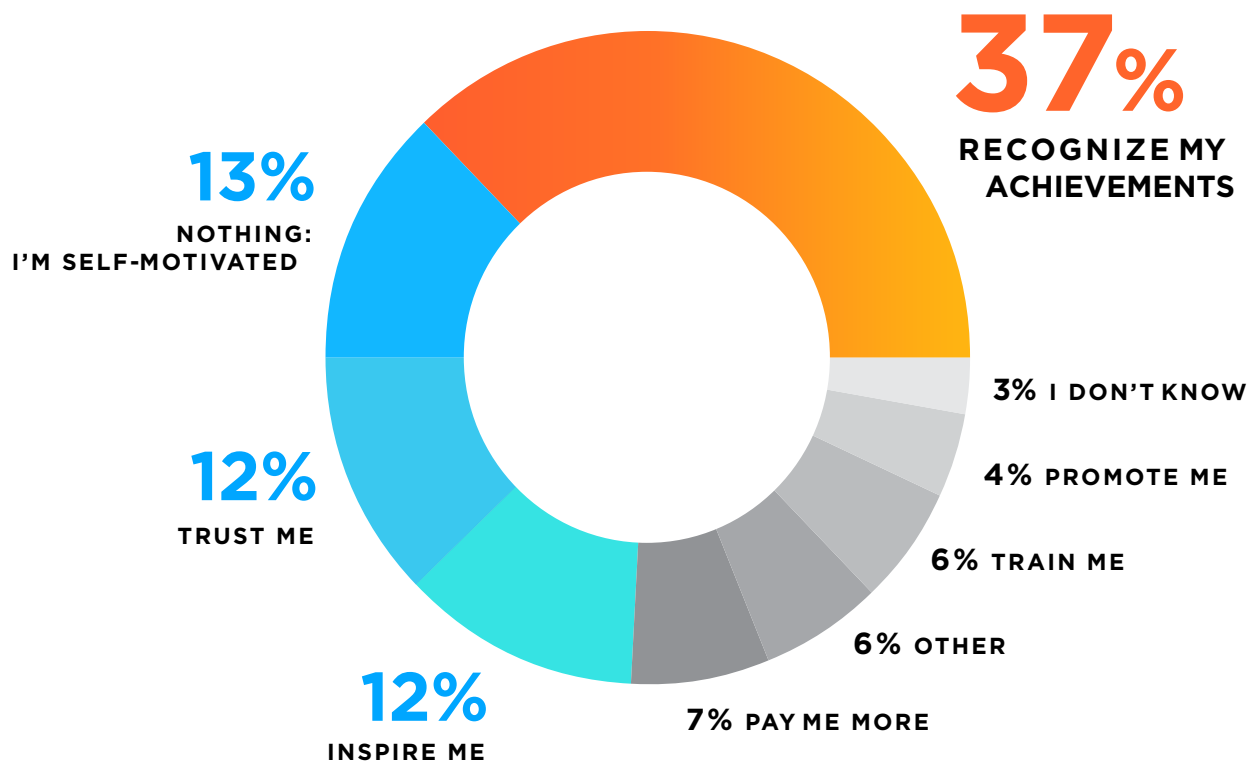
Strong Recognition  **81%**

Weak Recognition  **35%**

Organizations may underestimate the power of recognition on employee engagement. Quantum Workplace’s analysis of the Best Place to Work organizations found that the question “If I contribute to the organization’s success, I know I will be recognized” is a top driver of engagement but is also one of the 5 lowest scoring areas for organizations.<sup>9</sup> And the O.C. Tanner Institute also found that informal recognition programs are the least utilized programs by companies globally but deliver the highest engagement outcomes.<sup>10</sup>

## Employee Productivity, Innovation, and Great Work

Recognition also has a drastic impact on how employees work. When asked “What is the most important thing your manager or company currently does, or could do, to cause you to produce great work?”, recognition not only came in as the top answer, but was as high as the next three answers combined.<sup>11</sup>



## EMPLOYEES WHO RECIEVE STRONG RECOGNITION ARE:

**33%**

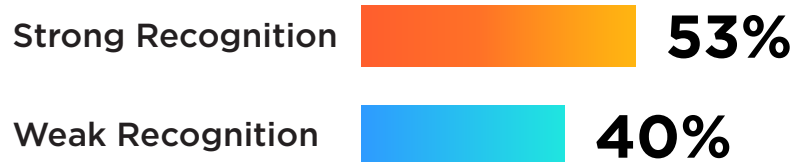
**more likely to  
be proactively  
innovating**

**2x**

**generating 2x as  
many ideas per month  
& 2x as likely to be  
highly innovative**

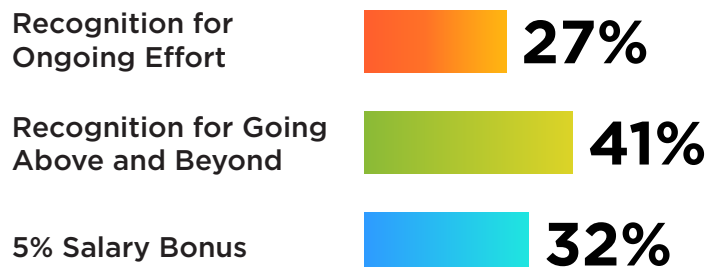
And employees who receive strong recognition are more likely to be working at 80% capacity or higher.

## RECOGNITION'S IMPACT ON INNOVATION AND PRODUCTIVITY



Employees also said recognition for going above and beyond would encourage them to be innovative and productive more than a 5% salary bonus.<sup>12</sup>

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



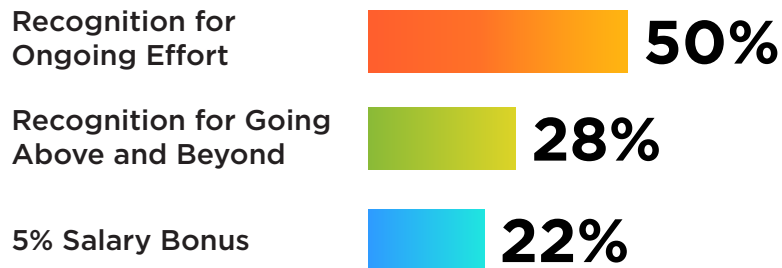


## Improved Leadership

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Employees who receive strong recognition have a strong relationship with their direct managers (87%) compared to those who receive weak recognition (51%). Employees also said recognition for ongoing effort would improve their relationships with leaders more than a 5% salary bonus.

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



## Retaining Employees

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Research shows when employees feel appreciated at work, they are more likely to stay at an organization and less likely to leave for another job. When asked if they would leave their current job for a job with another organization with a similar role, pay, benefits, and location, employees who feel appreciated were less likely to take the other job.<sup>13</sup>

### FEEL CONNECTED TO THE COMPANY



According to Gallup, employees who do not feel adequately recognized are twice as likely to say they'll quit in the next year.<sup>14</sup>

In some instances, just having an employee recognition program can make an impact. Companies with a simple service award program retain employees for 2 more years than companies without – 4 more years if that program is excellent.<sup>15</sup>

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



## **What Business Impact Have Organizations Seen?**

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Here are a few examples of the impact organizations have seen from their recognition initiatives:



### **Gordon Food Service**

91% of employees felt connected to the company's values and understand how they contribute (purpose)



### **Telligen**

87% felt the company cares about them (wellbeing)



### **Roto Rooter**

90% increase in career accomplishments being celebrated (appreciation)



### **Niagara Casinos**

93% likely to stay with the organization after being recognized



### **Fairmont Hotels**

Won the J.D. Power President's award (only the 13th company in history to receive this award), 98% engagement

Gallup Great Workplace Award



### **Norton Healthcare**

Engagement survey scores increased from 55th to 83rd percentile

Overall retention in top 70th percentile

Won national award for top HCAHPS scores in every reporting year



### **Ohio Living**

21% higher nursing satisfaction

59% lower nursing turnover

33% lower employee turnover

Decrease in falls, infection rates, readmission rates

Increase in home health ambulation

Increase in resident satisfaction



# How To Measure ROI

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What recognition metrics are important to look at when it comes to determining business impact? While every organization will have different objectives and impact, the most common measures are:

- Employee Engagement—pulse survey or employee survey scores
- Retention—turnover numbers
- Great work—productivity metrics, new ideas submitted, efficiency improvements
- Customer satisfaction scores/patient satisfaction scores
- Financial metrics—sales growth, guest count, profitability
- Wellbeing—safety, attendance, health metrics

Look at high recognition areas compared to low recognition areas (manager, department, location, business unit, etc). Do areas that use recognition more have better outcomes? Higher engagement scores? Better business outcomes? Lower turnover? A simple correlation analysis to measure the strength of the relationship, or looking at before/after and change-over-time statistics, can help you see the true impact of employee recognition.

Research shows that recognizing employees for their great work and career achievements can help you build a culture that attracts the best talent, where engagement thrives, and where employees are inspired to be and do their best for a long time. While recognition is still an underutilized tool for many organizations, the potential impact on a company's culture and business should not be underestimated.

For more information on how to measure the ROI of your recognition solutions, see [our paper](#).

For help in measuring recognition and your workplace culture, check out our [culture survey](#).

**Outcomes are everything**

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