RESEARCH REPORT

SHRM / GLOBOFORCE

Employee Recognition Survey

SPRING 2013 REPORT

DRIVING STRONGER PERFORMANCE THROUGH EMPLOYEE RECOGNITION

globoforce®

EXECUTIVE SUMMARY

Employee recognition programs are on the rise, and with plenty of good reasons. As human capital becomes the foremost challenge for companies worldwide, employee engagement is mission critical for an increasing number of organizations.

But which employee recognition programs are most effective in meeting this challenge? To answer that question, Globoforce® – together with the Society for Human Resource Management (SHRM) – surveyed 803 HR professionals to assess the relationship between recognition, engagement, employee performance and other key human capital factors. The survey, conceived and commissioned by Globoforce, also gathered trends and insights from HR leaders and practitioners about the challenges they are facing and the innovations and technologies that are changing the way people are managed today.

The Spring 2013 survey examined:

* The biggest challenges and opportunities for managing human capital
* The most effective strategies in elevating employee engagement and performance
* The impact of employee recognition on workplace productivity and satisfaction
* The effect of new innovations like crowdsourced data to manage and measure employee performance

KEY FINDINGS

In the SHRM/Globoforce survey, 803 HR leaders and practitioners shared their practices and perspectives on engagement and recognition and their impact on performance. Some of the findings include:

1. Employee engagement is the most important HR challenge facing organizations.
2. Employees are more motivated and perform better when rewarded through praise *and* prize.
3. Stand-alone years-of-service awards are often an ineffective type of recognition.
4. Leveraging the collective recognition across a company provides a clearer picture of employee performance.
5. Crowdsourced feedback can make performance reviews more effective and enhance manager and employee appreciation.

ABOUT THE SURVEY

The SHRM/Globoforce Employee Recognition Survey was commissioned by Globoforce and conducted by the Society for Human Resource Management (SHRM) from March 14, 2013 through March 24, 2013. This is the fourth deployment of the semi-annual survey since its launch in June 2011.

This edition of the survey was sent to 6,000 SHRM members at manager level or above. The final sample of the survey was composed of 803 randomly selected 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 North America across a wide range of business-to-business and business-to-consumer industries. (Additional details about demographics are provided at the end of the report).

ABOUT GLOBOFORCE

Globoforce is the world's leading provider of social recognition solutions, redefining how companies understand, manage, and motivate their employees. Innovative companies around the world use Globoforce's cloud-based social recognition software to reveal the true performance and influence of every employee and strengthen company culture. With Globoforce, HR and business leaders can take a strategic approach to recognition programs that result in measurable benefits to the bottom line driven by increases in employee engagement, retention, and productivity. Globoforce is co-headquartered in Southborough, Massachusetts, and Dublin, Ireland.

ABOUT THE SOCIETY FOR HUMAN RESOURCE MANAGEMENT

The Society for Human Resource Management (SHRM) is the world's largest association devoted to human resource management. Representing more than 260,000 members in more than 140 countries, the Society serves the needs of HR professionals and advances the interests of the HR profession. Founded in 1948, SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China and India.

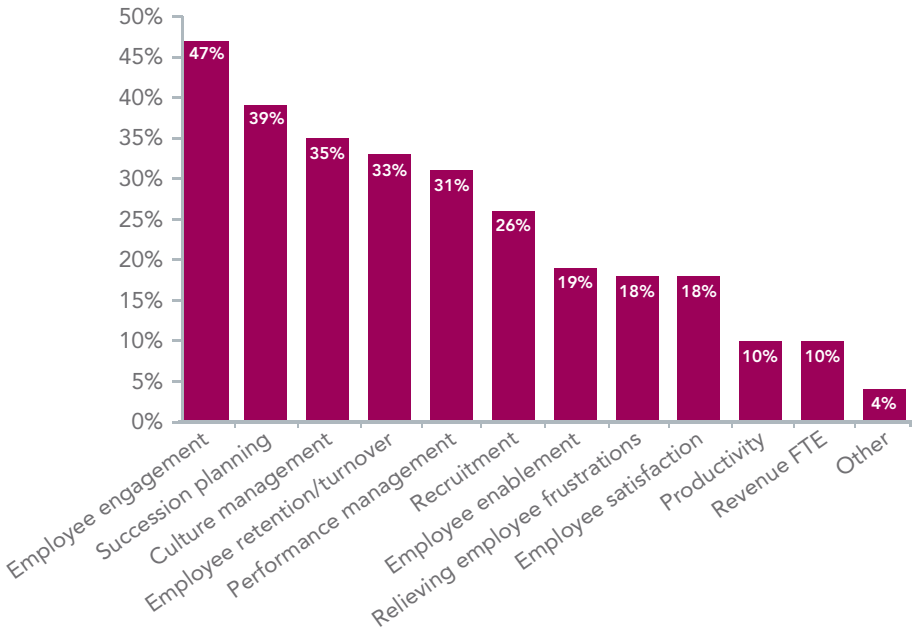
1 / Employee engagement is the most important HR challenge facing organizations.

In today's corporate landscape, human capital is widely perceived as critical for future success. And in the current environment of increasing global competition and slower growth prospects, raising employee engagement is seen as a key strategy for success in maximizing that capital.

According to the SHRM/Globoforce Spring 2013 survey, nearly half of HR professionals say employee engagement is one of the top three challenges their organization faces. Close behind is succession planning, culture management, employee retention and turnover, and performance management. (Figure 1)

FIGURE 1

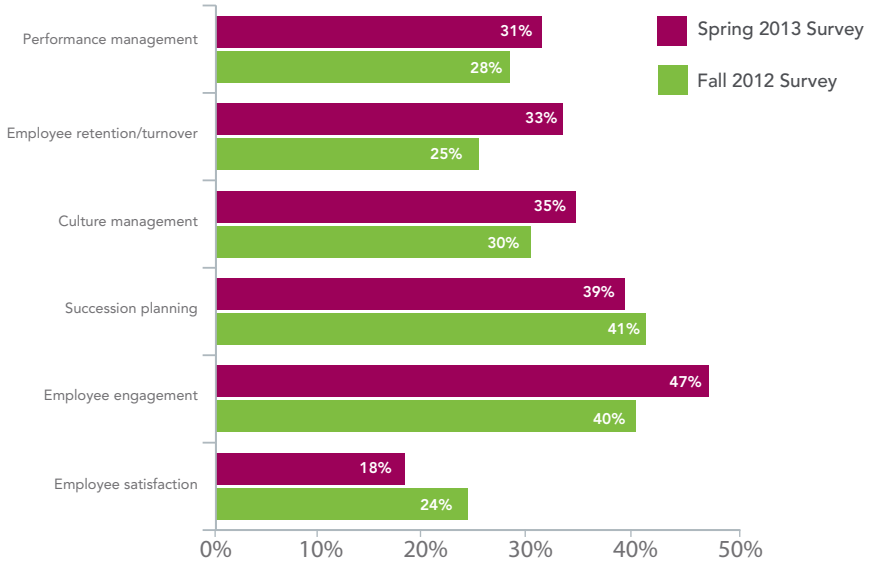
WHICH OF THE FOLLOWING ARE THE MOST IMPORTANT HR CHALLENGES TO YOUR ORGANIZATION? (SELECT YOUR TOP THREE CHOICES)



The concern for employee engagement has risen from even six months ago. Forty-seven percent of HR professionals identify employee engagement as a key HR challenge, a rise of seven percentage points from the Fall 2012 SHRM/Globoforce survey, when 40 percent of respondents said engagement was an HR challenge. Employee retention also rose from the Fall 2012 survey (from 25 percent to 33 percent), which suggests that companies are concerned about the impact of an improving job market on their workforce. The lone challenge to significally decrease from the Fall 2012 survey was employee satisfaction, declining from 24 percent to 18 percent. This decline may be an early indicator into HR's current move towards a business partner model, focusing on stronger workforce performance.

FIGURE 2

HOW DO THIS YEAR'S TOP HR CHALLENGES COMPARE TO LAST?



How can companies better manage employee engagement? Survey results show the direct impact of employee recognition. In fact, 48 percent of HR leaders and practitioners surveyed say employee engagement increased as a result of the implementation of an employee recognition program. This percentage is even higher (climbing north of 50 percent) when recognition programs are tied to core values.

2 / Employees are more motivated and perform better when rewarded through praise *and* prize.

How you say it matters. So does what you give.

First, the praise. Employers get more out of their workforce when employees are encouraged. When asked whether negative or positive feedback has a greater impact on improving employee performance, 94 percent of survey respondents say positive feedback.

Just six percent of those surveyed say negative feedback has a greater impact on performance. (Figure 3)

Employees don't want to just hear "good job." They crave tangible rewards to go along with that praise. In the SHRM/Globoforce survey, 83 percent of HR professionals say employees in their organization are more motivated by recognition that includes a reward than recognition with no associated reward. (Figure 4)

Recognition also pays off in other ways. HR professionals overwhelmingly say recognizing employees for their achievements provide employees with a clearer understanding of a company's organizational objectives. Understanding these objectives is often critical towards greater alignment to achieving a company's financial goals. (Figure 5)

Survey results also indicate a possible correlation between company investment in employee recognition programs and lower employee frustration. According to survey respondents, companies that spend more on their recognition programs see lower levels of employee frustration than those that spend less on recognition programs. (Figure 6)

FIGURE 3

WHAT HAS A GREATER IMPACT ON PERFORMANCE - NEGATIVE OR POSITIVE FEEDBACK?

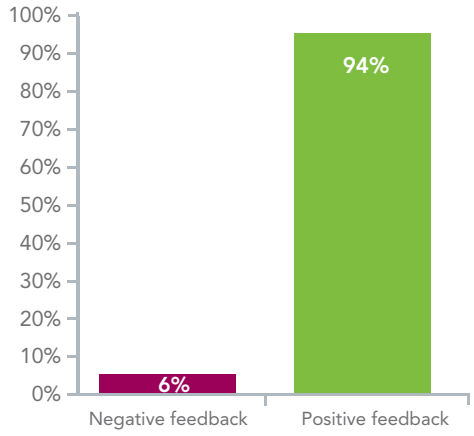


FIGURE 4

ARE EMPLOYEES MORE MOTIVATED BY RECOGNITION WITH OR WITHOUT A REWARD?

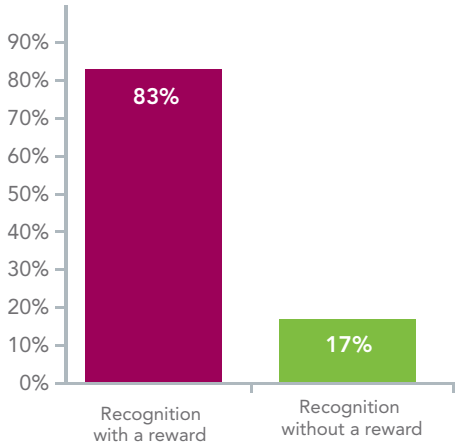


FIGURE 5

DOES RECOGNIZING EMPLOYEES FOR THEIR ACCOMPLISHMENTS PROVIDE A CLEARER UNDERSTANDING OF A COMPANY'S ORGANIZATIONAL OBJECTIVES?

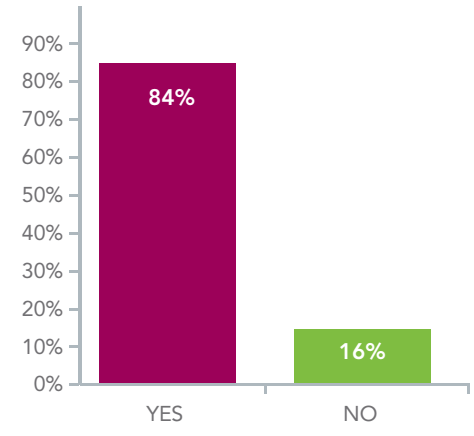
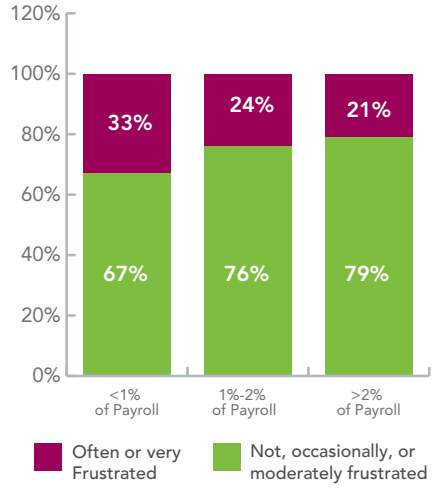


FIGURE 6

PERCENT OF PAYROLL TO RECOGNITION PROGRAMS VS. LEVEL OF EMPLOYEE FRUSTRATION



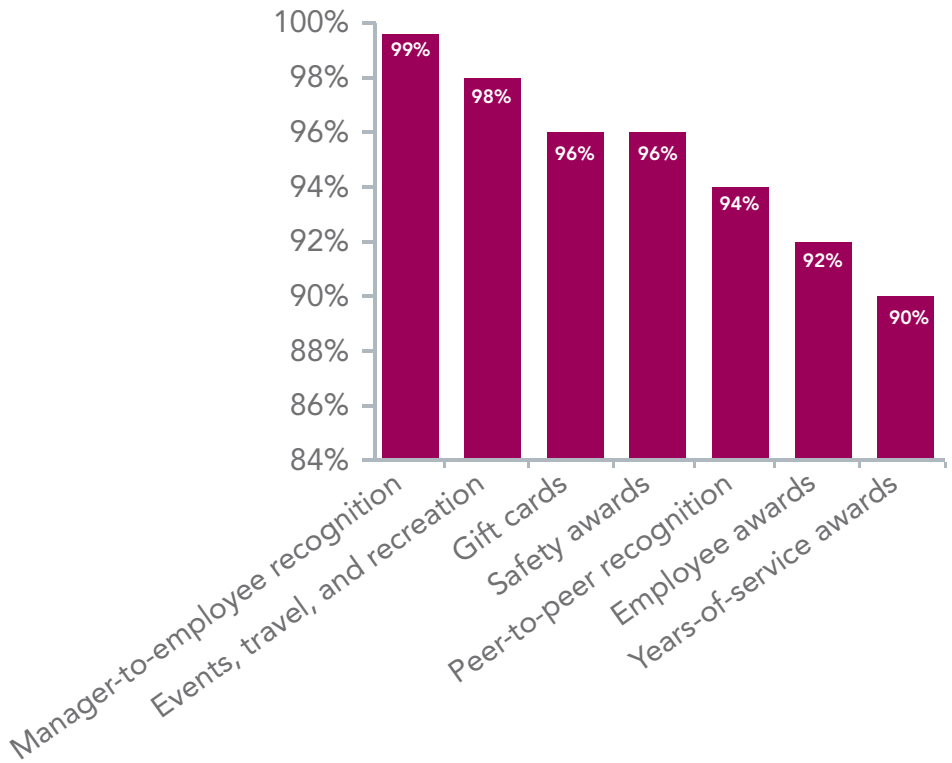
3 / Stand-alone years-of-service awards are often an ineffective type of recognition.

Our survey also looked at what types of programs are most prevalent in the workplace. Today's HR professionals support a myriad of programs, ranging from safety awards to more modern approaches, such as social, peer-to-peer programs.

One of the most prevalent types of recognition programs is the traditional years-of-service program. But while traditional years-of-service programs are a mainstay among most companies, survey results also paint them as the least effective, with 10 percent of respondents calling them "not effective." (Figure 7) That compares to 94 percent of HR leaders who say peer-to-peer recognition is effective, suggesting that companies benefit more when employees are personally recognized for the work they do rather than simply the time they've been employed.

FIGURE 7

COMPANIES THAT CALL SPECIFIC RECOGNITION PROGRAMS EFFECTIVE



4 / Leveraging the collective recognition across a company provides a clearer picture of employee performance.

When recognition is an open call to an entire organization to recognize peer behaviors, the resulting "crowdsourced" feedback can go a long way in measuring employee performance.

According to HR leaders surveyed, more is better when it comes to assessing performance. In fact, 90 percent of respondents say feedback from an employee's peers across the organization is more accurate than feedback provided by just an employee's manager or supervisor. (Figure 8)

By widening the inputs of recognition and feedback across the company, employees can play a greater role within the performance fabric of an organization. It can create a new groundswell approach to recognition that captures that great work that employees see every day. According to HR leaders surveyed, 85 percent of companies are currently using or would considering using a system that empowers employees to reach out to each other for great work. Seventy-four percent of respondents also say crowdsourced recognition data would provide a more accurate picture of employee performance. (Figure 9)

FIGURE 8

WHICH WOULD PROVIDE A MORE ACCURATE PICTURE OF EMPLOYEE PERFORMANCE?

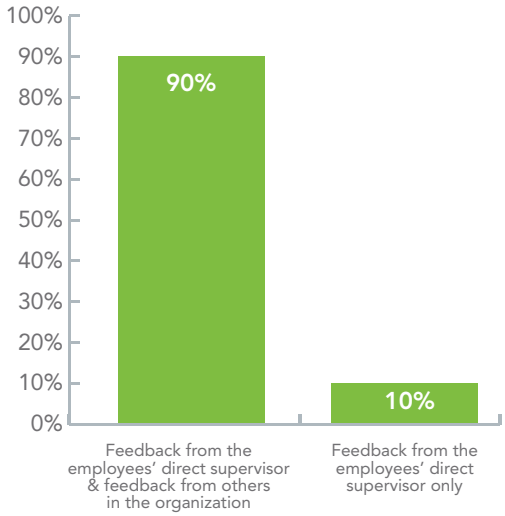
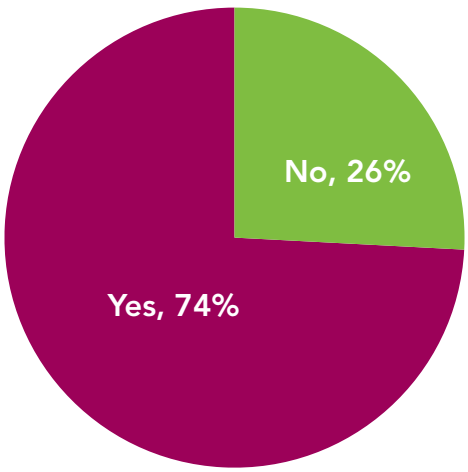


FIGURE 9

DO YOU THINK CROWDSOURCED RECOGNITION DATA (RELYING ON INPUT FROM MULTIPLE SOURCES) WOULD PROVIDE A MORE ACCURATE PICTURE OF EMPLOYEE PERFORMANCE?



5 / Crowdsourced feedback can make performance reviews more effective and enhance manager and employee appreciation.

According to SHRM/Globoforce survey, performance reviews often fall short. In fact, only half of surveyed HR leaders (51 percent) say that their organization's current performance review system is effective in achieving its goal.

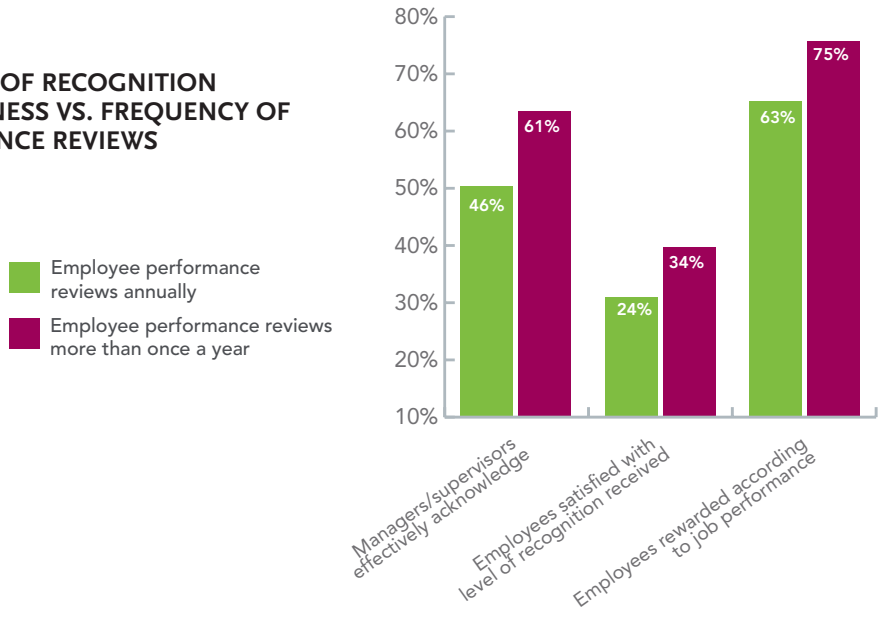
How can companies get a more accurate picture of employees' performance? According to our survey results, increasing the frequency and reach of performance reviews may be the answer.

Currently, most companies (77 percent) conduct performance reviews only annually. Yet, when employee performance reviews are conducted more than once a year – ongoing, monthly, quarterly, or semi-annually–employees feel more validated. According to survey results, more frequent performance reviews lead to higher levels of the following HR metrics, according to HR leaders (Figure 10):

- Employees are rewarded according to job performance (12 percentage points higher)
- Managers or supervisors effectively acknowledge and appreciate employees' performance (15 percentage points higher)
- Employees are satisfied with the level of recognition they receive for doing a good job at work (10 percentage points higher)

FIGURE 10

MEASURES OF RECOGNITION EFFECTIVENESS VS. FREQUENCY OF PERFORMANCE REVIEWS



In addition to frequency, feedback from more people across the organization can provide more insight about the behaviors and performance of an individual than a single manager. The fact is that most employees are already recognizing great work from colleagues on a daily basis. A recognition program provides HR leaders and managers a way to *capture* the ongoing feedback to help them manage people better and ultimately improve performance. Survey respondents agree, as 78 percent say crowdsourced recognition would be helpful data to incorporate into employee performance reviews (Figure 11) while 74 percent currently use or would consider mapping recognition awards against performance rankings/ratings.

Among companies that include crowdsourced recognition data in their reviews, nearly two-thirds (65 percent) say that their review performance process is effective in achieving its goals. In comparison, more than half of those that don't use crowdsourced recognition data say their performance review process needs to be overhauled. (Figure 12)

FIGURE 11

WOULD CROWDSOURCE RECOGNITION BE HELPFUL DATA TO INCORPORATE INTO EMPLOYEE PEFORMANCE REVIEWS?

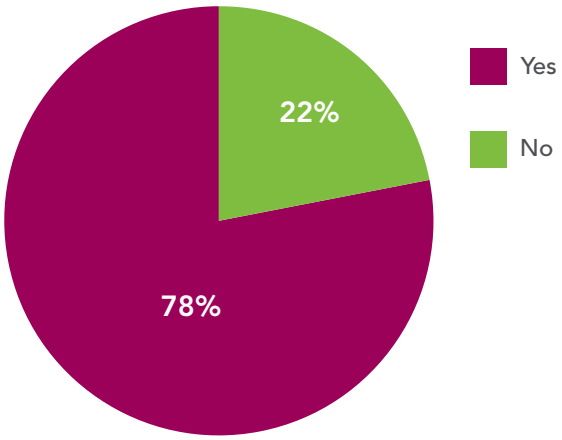
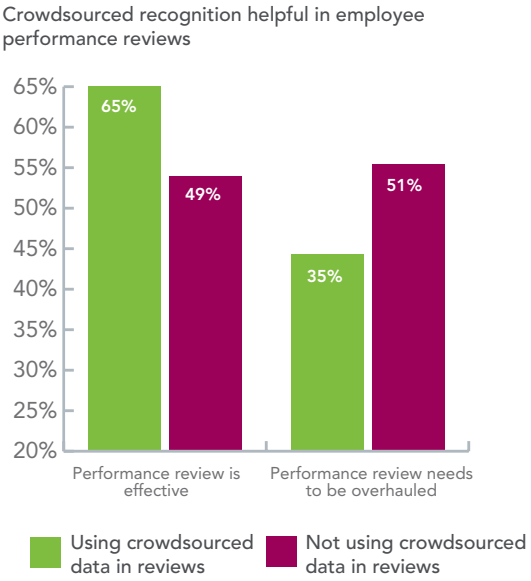


FIGURE 12

IS YOUR PERFORMANCE REVIEW EFFECTIVE OR DOES IT NEED TO BE OVERHAULED? (RESPONDENTS ANSWERING YES)

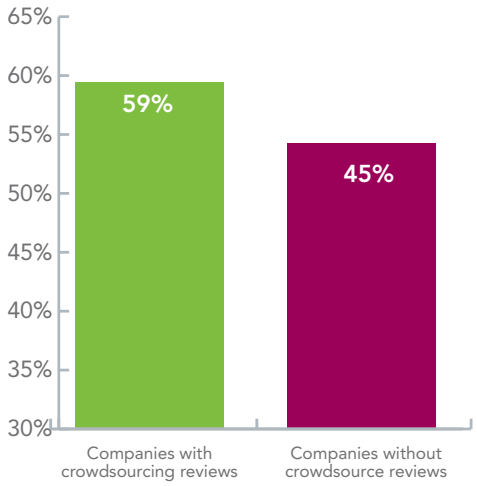


But the impact of crowdsourced data extends beyond the review itself. Survey results suggest a strong correlation between companies that use crowdsourced recognition data as part of their performance review process and people's perceptions of whether supervisors effectively acknowledge and appreciate employee performance.

According to survey respondents, 59 percent of companies with crowdsourced reviews report that managers or supervisors effectively acknowledge and appreciate employee performance. Conversely, companies that do not crowdsource reviews say just 45 percent of managers or supervisors effectively acknowledge and appreciate employee performance. (Figure 13)

FIGURE 13

DO YOUR MANAGERS OR SUPERVISORS EFFECTIVELY ACKNOWLEDGE AND APPRECIATE EMPLOYEE PERFORMANCE?



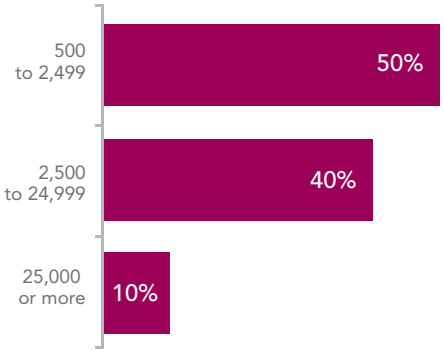
CONCLUSION

The current business climate and the HR challenges it presents are driving companies to take a closer look at how to raise employee engagement and drive employee performance. With the noted rise of recognition programs, companies are seeing proven business benefits from recognizing great work and performance. These same insights are helping HR leaders leverage the collective wisdom of the entire workforce within performance reviews.

In the SHRM/Employee Recognition Spring 2013 Survey, we uncovered the following findings:

1. Raising employee engagement is seen as a key strategy for success in maximizing human capital.
2. The formula for better employee performance and motivation: Invest in praise *and* prize.
3. Stand-alone year of service awards, a very traditional type of recognition, is also the least effective in driving critical HR metrics when used as the singular form of recognition.
4. When organizations incorporate inputs beyond a single manager's feedback, HR leaders gain a more accurate picture about true employee performance.
5. Companies that use crowdsourced recognition data within performance reviews have more effective performance management processes.

COMPANY BREAKDOWN/DEMOGRAPHICS



Does your organization have U.S.-based operations (business units) only or does it operate multinationally?	
U.S.-based operations only	56%
Multinational operations	44%

Is your organization a single-unit company or a multi-unit company?	
Single-unit company: A company in which the location and the company are one and the same	14%
Multi-unit company: A company that has more than one location	86%

HR department/function for which you responded throughout the survey	
Corporate (company-wide)	56%
Business unit/division	27%
Facility/location	18%

Are HR policies and practices determined by the multi-unit corporate headquarters, by each work location, or both?	
Multi-unit headquarters determines HR policies and practices	46%
Each work location determines HR policies and practices	2%
A combination of both the work location and the multi-unit headquarters determine HR policies and practices	52%

Learn more about strategic, social recognition and how it can drive business results for you.

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