



How to leverage your **employee recognition strategy** to drive **financial results**

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Employee recognition programs are seen as an important tool to drive employee engagement, increase retention and improve productivity. Approximately 80% of Fortune 500 companies have strong recognition programs that are designed to align cultural values, behaviors, accomplishments, and results across the entire organization.

However, the emerging trend is to directly leverage the recognition program as a tool that drives strategic imperatives and financial goals of a business.

What is **results-based recognition**?

Results-based recognition is an engagement methodology that delivers incremental value to an organization by aligning employee efforts toward strategic initiatives. Teams and individuals are given specific, measurable goals and are rewarded based on achievement of those goals. The programs, which can vary in duration, deliver ROI and are self-funded from incremental gains to the business.

Most importantly, the methodology is built on two key principles of behavioral economics. The first is **social influence**, which indicates “the social norms of the group influence how we act,” or simply, it’s best when everyone rows in the same direction. The second is **idiosyncratic fit**, which is when employees perceive rewards as personally relevant and achievable because they can earn them by doing their job efficiently and working to become more productive.

Cross-functional alignment toward an objective is a best practice in these initiatives. In order to achieve high-level strategic goals, programs can include both sales and non-sales employees whose efforts can impact the goal.

Results-based recognition in action

Most businesses understand the value of knowing their “WHY” and most leaders realize that having a clear purpose ignites passion, sharpens focus and drives results. But over and over, we see companies leaving their real value on the table.

Here’s one example:

A major U.S. financial services company had a strong, inspiring purpose statement that encompassed everything they were passionate about as a business. But there was a clear disconnect between the visionary purpose statement and the day-to-day work being done by their employees. Very few employees knew how their work contributed to the bigger picture, therefore it wasn’t shaping their behavior or producing results. In fact, without that connection to a bigger purpose, employees were left feeling disillusioned, distracted and replaceable.

To solve this, we initiated a new employee recognition strategy that put their purpose in the spotlight and was centered around two specific, measurable goals: Increase employee retention, engagement and morale as well as improve their customer experience. Their recognition system was built to reinforce everyday behaviors that directly supported these goals by recognizing things like putting the client first, fostering trust, working with precision and showing a passion to win.

Just one year after the official launch and in conjunction with other integral strategies, they achieved two major business results:

Employee turnover **dropped** by **31%**

With turnover costs at about \$8,500 per employee, this saved the company \$10.4 million in the first year alone.

Customer experience scores **increased** by **4 pts**

a goal they achieved two years earlier than expected.





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Getting started in results-based recognition

There are a number of benefits to a results-based employee recognition approach. The organization collectively benefits from the achievement. Employees gain a better understanding of organizational goals and the behaviors required to achieve individual and team goals. The combination of inspiring awards and recognition deliver maximum employee engagement. Program owners create a stronger, more dynamic and motivational initiative that delivers incremental business results for their organization. If you're considering a results-based recognition approach, here are five tips for implementation:

- 1. Open your employee recognition platform to additional audience-specific initiatives.** In addition to your enterprise-wide recognition programs, establish a process for business leaders to initiate, obtain approvals, communicate and reward results for their promotions. When possible, encourage collaborative programs that work across silos toward achievement of significant business goals.
- 2. Design and fund each initiative with the business objectives in mind.** The program's budget should balance the incremental gains of the business with awards that are motivating to participants. Results-based recognition initiatives should be designed to reward achievement of specific results, so that there is a clear return on the investment.
- 3. Use a campaign approach to activate and sustain awareness.** Launch your initiative with a mix of training and communications through a variety of media. Let individuals and teams know how and what they need to do to get to the goal, and the rewards they can earn when they achieve it. But don't stop there. Create a comprehensive schedule to provide regular progress updates in meetings, online and in other communication channels to keep them informed of progress and motivated along the way.
- 4. Leverage the robust capabilities of your recognition system.** Utilize audience segmentation features of your technology platform to share relevant program rules and regular progress updates with your participants. When goals are achieved, communicate the outcome and reward the audience with a mix of points or reward packages. Unlike cash or cash equivalents, non-cash rewards are celebrated socially and can trigger psychological and promotional benefits.
- 5. Recap and review in scorecards and summaries for leadership.** This includes the business objectives, the strategies and tactics used, total spending, final results and ROI. Results-based recognition generates financial value through your recognition system and if designed properly, should pay for itself.



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Ideally, your program should be designed to correlate performance and contribution to recognition. As noted earlier, sometimes it's not enough to reward only the sales team for selling more; supply chain, marketing and administration are also part of the process and need to be recognized for large-scale initiatives. When evaluating a results-based recognition program, you should expect to see evidence of two things:

- 1. Managers** who have high levels of recognition activity also drive the highest results through their teams.
- 2. Employees** who give and receive high levels of recognition perform better in the individual aspects of the program.

Your recognition platform can do more than check off the employee engagement box on your strategic initiatives. Employee recognition programs can help advance the safety, idea generation, productivity, revenues and profits of the company, divisions, countries or even departments. Take advantage of the asset that **80%** of all *Fortune 500* firms have in place by implementing a strategy that not only drives your mission, vision and values to enhance your company culture but also offers results that move your business forward.

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