

## Building a Business Case for Employee Recognition

Employee recognition programs and activities lead to higher levels of engagement in employees - employees who are engaged are satisfied with their work, are more likely to stay with government, are more likely to promote government as a great place to work and will provide a higher level of service to Nova Scotians. Recognition is a tool that departments can use to enhance employee engagement and to recognize, reinforce and promote positive behaviours that support values, business goals and objectives.

Employee recognition programs and activities support government's goal of being a preferred employer and of providing employees with a safe and supportive work environment. Ultimately, employee recognition contributes to overall organizational success.

A good business case will help convince senior management of the need for recognition activities and related budgets. To assist you in building a business case, the information below will provide you with an overview of the corporate context for employee recognition along with several references to theoretical approaches, research, studies and best practices that support the use of recognition in the workplace.

### Corporate Context

- ❑ Nova Scotia's Corporate Human Resource Plan 2005-2010 has identified being a preferred employer as one of its five goals. To achieve this goal, various attraction and retention strategies have been outlined. A core activity of the retention strategies is the development of employee recognition programs
- ❑ Nova Scotia's Corporate Human Resource Plan 2005-2010 has also identified providing a safe and supportive work environment for employees as one of its five goals. To achieve this goal, the PSC has adopted the National Quality Institute's (NQI) comprehensive healthy workplace model. In the NQI model, employee feedback and recognition/rewards are encouraged as a means to creating a positive workplace culture and supportive environment for employees
- ❑ The Public Service Commission's 2006-2007 Business Plan has identified "a Corporate Employee Recognition Framework and Toolkit", and "a Departmental Recognition Template (Guide)" as essential activities under the priority of developing an Attraction and Retention framework for government.
- ❑ Recognition activities support the Nova Scotia Government's Performance Management system. One of the performance management policy objectives, is to "promote job satisfaction in a motivating environment and to recognize and reward good performance." In accordance with this policy, managers are responsible for providing employees with ongoing feedback and coaching regarding their performance and for recognizing and supporting good employee performance. Through effective recognition, managers communicate what is important (goals and objectives), and engage employees by acknowledging and expressing appreciation for their contributions.
- ❑ Employee recognition activities strengthen and support the Nova Scotia Government's Public Service Values - Respect, Integrity, Diversity, Accountability and The Public Good. It is imperative that we integrate these values into our corporate and department-specific recognition programs.
- ❑ Results from the Government of Nova Scotia's employee surveys indicate that there are improvements to be made in the area of recognition, specifically around employees feeling recognized for their contributions, employees feeling they have the opportunity to provide input into decisions that affect their job, employees

feeling valued and employees feeling they are aware of their department's goals and objectives and what their role is in achieving those goals and objectives. Results include:

2004	2005	2006	Employee Survey - Favourable Scores
57%	61%	63%	percentage of employees that feel they receive recognition from their supervisor for a job well done.
54%	54%	56%	percentage of employees that feel valued for their contributions at work.
58%	65%	66%	percentage of employees that feel their supervisor gives them feedback about their work performance.
62%	67%	72%	percentage of employees that feel they are given an opportunity to provide input on decisions that affect their job.
64%	75%	73%	percentage of employees that feel they know how their work contributes to their department's priorities/purpose.
49%	63%	70%	percentage of employees that have received communications about their departments business plan in the past 12 months.
-	49%	53%	percentage of employees that are aware of government's corporate values.
-	-	49%	Percentage of employees that feel they receive meaningful recognition for work well done.

- Results from the Government of Nova Scotia's employee surveys also indicate that employees feel that being recognized for their contributions, having the opportunity to provide input into decisions that affect their job, feeling valued, being aware of their department's goals and objectives and knowing what their role is in achieving those goals and objectives is very important to them. Results include:

2004	2005	2006	Employee Survey - Importance Scores
80%	93%	90%	percentage of employees that feel receiving recognition from their supervisor for a job well done is important to them.
81%	96%	93%	percentage of employees that feel being valued for their contributions at work is important to them.
79%	93%	90%	percentage of employees that feel getting feedback from their supervisor about their work performance is important to them.
79%	92%	89%	percentage of employees that feel being given an opportunity to provide input on decisions that affect their job is important to them.
78%	86%	84%	percentage of employees that feel knowing how their work contributes to their department's priorities/purpose is important to them.
70%	78%	72%	percentage of employees that feel receiving communications about their departments business plan in the past 12 months is important to them.
-	71%	70%	percentage of employees that feel being aware of government's corporate values is important to them.
-	-	90%	Percentage of employees that feel receiving meaningful recognition for work well done is important to them.

## Theoretical Approaches

- Frederick Herzberg's Hygiene and Motivation Theory concludes that people need's can be categorized into two types; Hygiene factors which involve the job environment and factors such as; a company, it's policies, supervision, working conditions, interpersonal relations and salary, and Motivational factors which involve what people actually do on the job. Employee motivators include; achievement, recognition for achievement, growth/advancement, responsibility and interest in their job. According to Herzberg, hygiene factors do not lead to higher levels of motivation but without them, employees will be dissatisfied at work. Both hygiene and motivation factors must exist simultaneously in order to motivate and engage employees.

- Abraham Maslow is the main founder of the humanistic school and believed that good qualities are inherent in people at birth. According to Maslow's Hierarchy of Needs Theory, basic human needs are; physiological, self-actualization, safety, love, and esteem. Man is a "perpetually wanting animal" and satisfying these basic needs is an ongoing activity. Recognition in the workplace – from managers and peers, satisfies the basic need for esteem and self-actualization / reaching one's full potential. This motivates people to improve through self-development and commitment to doing a job well.

## General Research

- A 2005 Towers Perrin study of 86,000 employees working full time for large and midsize companies in 16 countries (including Canada) across four continents, revealed that only 14% of all employees worldwide are fully engaged on the job—"willing and able to give sustained discretionary effort to help their organizations succeed". The majority of employees in the study group are moderately engaged and nearly a quarter of employees reflected that they were actively disengaged. The study solicited employees' views on a series of workplace elements that are shown to influence attraction, retention and engagement. The results of the survey identify the 10 key drivers of attraction and retention for each country included in the study. The Canadian results identify examples of attraction drivers such as; competitive benefits, and salary increases linked to individual performance. Examples of the drivers of retention include; my manager understands what motivates me, I have the appropriate amount of decision-making authority to do my job well.

These drivers of engagement can be positively influenced through effective recognition programs.

*Towers Perrin HR Services. Winning Strategies for a Global Workforce. Attracting, Retaining and Engaging Employees for Competitive Advantage. Towers Perrin Global Workforce Study - Executive Report. January 2006*

- "The companies that make *Fortune* magazine's annual list of the 100 Best Companies to Work For provide great examples of companies that offer many forms of effective recognition. According to Robert Levering, who along with Milton Moskowitz oversees the Fortune magazine Best Companies Project, "no company can have a great place to work without having good ways to show appreciation to employees." Not only do the companies on the list do a good job of offering the kind of recognition employees' value, these companies receive tremendous payback for their efforts. Levering and Moskowitz's research shows:
  - ★ Industry by industry, the companies on the list have 50 per cent less turnover than their counter parts.
  - ★ Publicly traded companies on the list average 15 to 25 per cent greater return for investors than the S&P 500 over three, five and ten-year periods.

With results like these, the companies on the *Fortune* Best Companies list demonstrate expertise in the area of employee morale and recognition."

*Ventrice, Cindy. Make Their Day! Employee Recognition That Works. Berrett-Koehler Publishers, Inc. San Francisco. 2003.*

- "Some employers assume that stressful working conditions are a necessary evil - that companies must turn up the pressure on workers and set aside health concerns to remain productive and profitable in today's economy. But research findings challenge this belief. Studies show that stressful working conditions are associated with increased absenteeism, tardiness, and intentions by workers to quit their jobs-all of which have a negative effect on the bottom line.

Recent studies of so-called healthy organizations suggest that policies benefiting worker health also benefit the bottom line. A healthy organization is defined as one that has low rates of illness, injury, and disability in its workforce and is also competitive in the marketplace. NIOSH research has identified organizational characteristics associated with both healthy, low-stress work and high levels of productivity. Examples of these characteristics include the following:

- ★ Recognition of employees for good work performance

- ★ Opportunities for career development
- ★ An organizational culture that values the individual worker
- ★ Management actions that are consistent with organizational values”

*National Institute for Occupational Safety and Health (NIOSH). Stress at Work. Prepared by a NIOSH working group. DHHS (NIOSH) Publication No. 99-101. <http://www.cdc.gov/niosh>*

- “Recognizing employees for a job well done is part of the corporate philosophy at Office Depot in praising employees publicly and providing constructive feedback privately. In turn, employees appreciate the opportunity to share their thoughts and opinions and are empowered by contributing to the process. Based on the information gathered through the survey process, management is able to design recognition programs that reflect the needs of the organization. Understanding employee perceptions, especially those driving positive work behaviors, and establishing action plans based on that information has improved customer relations, allowing Office Depot to deliver on their commitment to provide fanatical customer service.”

*Kenex A Connection Human Resource Newsletter. Employee Engagement Surveys Empower Office Depot's Employees. Surveys Serve as the Platform for Action Plans that Drive Customer Service, Increase Productivity and Strengthen Intensity of Employee Commitment to the Organization. [www.kenexa.com](http://www.kenexa.com)*

- What is a Winning Workplace? A Winning Workplace is one that, for example:
  - ★ Gives employees ownership over their work and empowers them to make a difference.
  - ★ Creates and communicates a compelling vision for their people, providing employees with a sense of meaning and purpose in their jobs.
  - ★ Recognizes and celebrates workers' accomplishments.
  - ★ Openly and honestly shares business information and challenges with employees, and engages them in the decision-making process.
  - ★ Understands and addresses employees as whole individuals with lives outside of work.
  - ★ Creates an environment of esprit de corps that boosts morale and an acceptance of change.

Each of these qualities embodies one or more of what our founders discovered, through research and personal experience, to be the six core Building Blocks of a Winning Workplace:

- ★ Trust, Respect & Fairness
- ★ Open Communications
- ★ Rewards & Recognition
- ★ Teamwork & Involvement
- ★ Learning & Development
- ★ Work/Life Balance

*Winning Workplaces is a not-for-profit providing consulting, training and information to help small and midsize organizations create great workplaces. Evanston, IL. <http://www.winningworkplaces.org>*

- According to a 2004 research study by Hewitt Associates and Michael Treacy, author of Double-Digit Growth – How Great Companies Achieve it No Matter What, employee recognition was identified as a key driver to employee engagement and ultimately company growth. “managers in double-digit companies will be most successful in improving engagement through recognizing their employees' achievements, and showing how those achievements lead to greater opportunities for the employee.”

*Hewitt Associates. Research Brief: Employee Engagement Higher at Double-Digit Growth Companies. April 2004. [was4.hewitt.com](http://was4.hewitt.com)*

- “Recent research shows a link between employee commitment and shareholder return. Watson Wyatt Worldwide has shown that superior human capital practices are leading indicators of financial performance. Companies with such practices provide three times the shareholder return of those who do not. It's quite

simple. Recognizing the right things in the right ways can have a dramatic impact on the attitudes and behaviours that create customer loyalty and drive profitable growth.”

*Soft Isn't Optional by Tim Treu. President & CEO Magazine. January 2005. [www.pceo.us](http://www.pceo.us)*

- The 2002 report of the Office of the Auditor General of British Columbia on Building a Strong Work Environment in BC's Public Service: A Key to Delivering Quality Service stated that: “Recognition has been shown to motivate staff, increase morale, productivity, and employee retention, and decrease stress and absenteeism.’ The report concluded that “individual recognition” was one of the top three factors for improving the levels of employee satisfaction and employee engagement in the BC public service.”

<http://www.hrtoolkit.gov.bc.ca/recognition/>

- A 1997 Gallup meta-analysis of various employee surveys, involving over 100,000 employees, found a correlation between employee satisfaction and positive business outcomes. In 1998 the Carlson Marketing Group of Minneapolis commissioned Gallup to do a further study that concluded:
  - ★ Profitability, productivity, employee retention and customer satisfaction are linked to employee satisfaction.
  - ★ Employees who receive recognition are much more likely to be extremely satisfied with their employer.
  - ★ The vast majority of employees who receive recognition or praise feel it motivates them to improve performance.
  - ★ The difference in satisfaction level is greatest when performance measurement and recognition are combined.

*What Is a Great Workplace? The twelve key dimensions that describe great workgroups by Marcus Buckingham and Curt W. Coffman. Gallup Management Journal [www.octanner.com/news/Gallup\\_Survey.htm](http://www.octanner.com/news/Gallup_Survey.htm)*

- A survey was conducted jointly by World at Work and NAER in February 2005 to identify and track trends in employee recognition. Similar member surveys were conducted in September 2003 and October 2002, providing a baseline of information about recognition program types, strategies, measures, administration, communication and training. The February 2005 survey was sent to approximately 3300 members and responses were received from 614 organizations. A few of the key findings revealed that:
  - ★ Recognition remains important to organizations; 92 per cent of organizations indicate that employee recognition occurs more often today versus a year earlier.
  - ★ Employee satisfaction surveys are among the most common ways that organizations gauge the success of recognition programs.
  - ★ Almost seven in 10 organizations indicate that they have a specific budget for recognition programs. On average, 3.8 per cent of their payroll budget is set aside for recognition.
  - ★ Fifty-five per cent of respondents believe that senior management views recognition as an investment, while thirteen per cent believe that senior management views recognition as an expense.

Results from these surveys indicate the employee recognition continues to be important to organizations and it is becoming an integral part of their mission and people strategy.

*Trends in Employee Recognition 2005. Survey Brief – May 2005. A Survey of Members of WorldatWork and the National Association for Employee Recognition (NAER).*

- The 2004 Annual Report of the Office of the Provincial Auditor of Ontario set out to assess whether the Government of Ontario had adequate policies and procedures in place to ensure the Ontario Public Service human resource renewal and revitalization strategies and policies were being implemented effectively. The audit report acknowledged that *recognition* has been shown to motivate staff; increase morale, productivity, and employee retention; and reduce absenteeism. In order “to improve employee satisfaction and staff

retention rates” the report recommends, among other things, that “The Centre for Leadership and Human Resource Management broaden both formal and informal employee recognition and appraisal programs.”

*2004 Annual Report of the Office of the Provincial Auditor of Ontario. Centre for Leadership and Human Resource Management. 3.02 – Human Resource Renewal*

- ❑ “Research shows that companies with an effective way of recognizing employees realized a median total return to shareholders two times greater (between 1996 and 1998) than employers that did not have a strategic recognition and rewards program.”

*A Hero’s Welcome: Improving Culture with Noncash Awards and Recognition. Adrian Gostick, O.C. Tanner. Workspan Magazine 07/03 [www.worldatwork.org](http://www.worldatwork.org).*

- ❑ “There are three great moments of recognition – at birth, at retirement and at death. Between those moments, recognition must be a daily affair, with small gestures. People aren’t looking for remuneration as much as they are looking for simple acknowledgement. Recognition not only has a great impact on employee mental health, it also encourages the investment that employees make in their work. Recognition must be part of an on-going, long-term process.”

*Jean-Pierre Brun, Ph. D. Chair in Occupational Health and Safety Management, Universite Laval. Excerpt from a speech given at the 2005 Pride and Recognition Conference held November 29 to December 1<sup>st</sup> in Quebec by the Public Service Human Resources Management Agency of Canada, to give Government of Canada pride and recognition coordinators an opportunity to meet, network and share.*

- ❑ “People are motivated to higher levels of job performance by positive recognition from their managers and peers (Keller). Creative use of personalized non-monetary rewards reinforces positive behaviours and improves employee retention and performance. These types of recognition can be inexpensive to give, but priceless to receive.”

*Rewards and Recognition by Sherry Ryan. Edweb.sdsu.edu/people/Arossett/pie/Interventions/incentivesrewards\_2.htm*

- ❑ A study conducted by Maritz Research, found that employees who were completely satisfied with their company’s employee recognition programs are significantly more satisfied with their jobs (11x more), more likely to remain with the company (7x more), more likely to recommend their workplace to others (7x more) more likely to invest in their company (6x more) and feel more valued (5x more). The research also revealed that 55 per cent of employees agree or strongly agree that the quality of their company’s recognition efforts impact their job performance.

*Maritz Research. Bosses Not “On the Same Page” as Employees regarding Recognition. January 2006. [www.maritzresearch.com](http://www.maritzresearch.com)*

- ❑ “When recognition is executed properly, the benefits can far exceed the time and money put into it. Despite the wealth of evidence supporting the effectiveness and financial benefit of employee rewards and recognition, I have found managers must make a leap of faith to believe recognition is worth doing. No single study or example of company success will convince the person who doesn’t want to believe in recognition. Managers and executives in the organization have to be convinced that recognition not only is the right thing to do but also will work.”

*Bob Nelson, president of Nelson Motivation in San Diego and best-selling author of several employee motivation books. Excerpt from an article in the Washington Business Journal. “Law firm makes strong case for recognition.” October 1, 2004.*

In support of informal recognition and its positive impact on the workplace...

- “Once CalPERS developed accountability measures to promote quality communications and recognition practices, supervisors became increasingly accessible to their employees. I even noticed a real change in the type of questions I would get in all-staff meetings, town halls and monthly brown bag lunches. People were asking questions that reflected a better understanding of the organization, the challenges we face and our priorities. Spending time with your people is one of the most powerful forms of recognition you can bestow. Genuinely seeking their opinions and feedback costs nothing but your time and the dividends are priceless. You’ll see increased morale, more open communication and greater sharing of solutions to business challenges. You’ll also get to know some truly remarkable people in the process.”

*James E. Burton CEO of CalPERS from 1992 to 2002. (CalPERS is the largest public pension fund in the United States) Source: “One CEO’s Perspective on the Power of Recognition,” Workforce Management, March 2, 2004.*

## Statistics

- ★ 79 % of people who leave their jobs cite a lack of appreciation as a key reason.  
*Society for Human Resource Management Study*
- ★ The average cost of replacing an employee is 150 percent of annual compensation.  
*Insight, a CPA Magazine*
- ★ 65 percent of employees said they received no praise or recognition in the workplace last year.  
*Gallup Organization Poll*
- ★ Of the people who report the highest morale at work, 94.4 percent agree that their managers are effective at recognition. In contrast, 56 percent of employees who report low morale give their manager a failing grade on recognition, and only 2.4 percent of people who have low morale say they have a boss who is great at recognition.  
*O.C. Tanner Company*
- ★ The top two motivators leading to job satisfaction are a sense of achievement and recognition for the achievement.  
*Frederick Herzberg*
- ★ Employees who receive meaningful recognition are eleven times more likely to be completely satisfied with their jobs and seven times more likely to spend their career with their present company.  
*Maritz Poll, January 2006.*
- ★ 84% of employers agree that providing non-monetary recognition when employees do good work helps to increase employees’ performance levels.  
*Dr. Bob Nelson, 2003.*
- ★ 99 % of employees indicated that it is important to them that they be recognized when they do good work.  
*Dr. Bob Nelson, online survey, 2002.*
- ★ 80.3 % of managers indicate that recognizing employees for good work makes it easier to get the work done.  
*Dr. Bob Nelson, 2001.*