THE ROI OF
SOCIAL RECOGNITION
7 WAYS IT DRIVES BUSINESS SUCCESS
1. Reinforce company values and culture
2. Improve talent management and performance data
3. Move the needle on retention
4. Increase shareholder returns
5. Build a magnetic employer brand
6. Boost employee happiness
7. Drive employee performance
**WHAT IS IT?**

Social recognition is a single, unified program of recognition, aligned directly to your company values, that turns moments of gratitude into cultural movements. It draws on your entire organization as a community—using positive feedback to unlock human potential and enable people to do the best work of their lives.

During the past century, traditional recognition consisted of managers giving their employees tactical forms of reward—like pins or watches—for simply sticking around. In the days of lifelong employment and strict organizational hierarchies, that may have worked. But today's employees want meaning in their work, not just monetary rewards.

Social recognition appeals to this need for both tangible and psychic income by capturing, amplifying, and echoing recognition moments across the organization. Social recognition is different from traditional recognition because it’s:

* Anyone to anyone, meaning it can occur between any employees, regardless of level.
* Tied back to your core values to truly reinforce your culture.
* A source of crowdsourced data that shows strength of relationships and employee performance.

**WHY DOES IT MATTER?**

Social recognition is the foundation for creating a more human workplace—one which fosters a culture of recognition and appreciation while empowering individuals, strengthening relationships, and providing a clear purpose aligned with achievable goals. A human workplace, in turn, allows business leaders to make significant progress on top of mind issues like retention, culture, and employee happiness—all while improving the bottom line.
Did you know that organizations that focus on living their corporate values are more profitable?
A recent study showed that High-Performing Organizations (HPOs) are 14% more likely to have leaders who model and reflect the organization’s values through word and deed. And research from Deloitte has also shown that managers of higher profitability companies are 12% more likely to have a strong focus on core values and corporate culture. In fact, experts say that having core values is essential to enduring business greatness. In the book *Built to Last*, Jim Collins and Jerry Porras found that, “Companies with strong positive core vision and core values have outperformed the general stock market by a factor of 12 since 1925.”

The challenge for many companies is how to make those core values practicable. That is where social recognition comes in. Because social recognition is designed with awards that map back specifically to each value, it integrates those ideals into employees’ everyday thoughts and actions. In the 2015 SHRM/Globoforce Employee Recognition Survey, 88% of HR professionals agreed, saying that using values-based recognition helps them to instill and reinforce corporate values. Take The Hershey Company, for example. They aligned disparate programs into one global recognition program called Hershey SMILES, which is based on four core values. Ultimately, this helped increase employee satisfaction with rewards and recognition by 11% in the first year, and 7% in the second year, demonstrating sustained satisfaction.

Providing employees a way to practice and live your values has other business benefits as well. One of these is nurturing trust. A 2012 study of trust in business found that high-trust companies tend to be those who exhibit organizational behavior consistent with their core values and ethics (85% high-trust companies vs. 46% other companies). Strong organizational trust is a key indicator for profitability—just take a look at the statistics on the next page to see how much an impact it can have. Research has also shown that workers who trust senior leaders are nearly two times as likely to be engaged and to love their jobs.

Values are a key driver of culture—a significant competitive advantage not only for building trust, but also for attracting and retaining talent. In the 2015 SHRM/Globoforce Employee Recognition Survey, 85% of HR professionals said values-based recognition adds humanity in the workplace and 48% said it helps with culture management. Further, data from a 2016 survey by the WorkHuman® Research Institute at Globoforce showed that when companies have values-based recognition programs, workers are nearly two times as likely to believe leaders care about a human workplace.

**RECOMMENDATION**

Determine if you have aligned your company values with corporate culture in a way that resonates with employees. Use social recognition, mapped to core values, to make those company values real and actionable for your employees.

**REINFORCE COMPANY VALUES AND CULTURE**

Values are a key driver of culture — a huge competitive advantage not only for building trust, but also for attracting and retaining talent.
Employees who know and understand company values are **26x more likely** to be fully engaged.9

High-trust companies perform nearly **2x** better than the general market and provide nearly **3x the return**

*(Great Place to Work Institute, 2015)10*
Once you’ve hired a key new employee, now the process of talent management begins.
This starts with onboarding—which all too often is an afterthought. In fact, half of all senior outside hires fail within 18 months in a new position. Did you know that a single failed executive-level manager can cost you as much as $2.7 million?

SHRM recommends that you set your new hire up for success by following the four Cs of effective onboarding: compliance, clarification, culture, and connection.

Onboarding materials and training can go a long way toward compliance and clarification—but how can you quickly inculcate your new hire into your culture, and integrate them into your community?

It turns out, giving and receiving recognition visibly throughout an organization helps establish connections between employees and reinforces the behaviors that drive the culture of your organization. In fact, research conducted by Globoforce has shown that those new hires who receive recognition within the first thirty days go on to outperform their colleagues in recognition by almost 14x. Moreover, those same employees were close to 20x more likely to actually give recognition to others they were connected to in the organization. Because social recognition is aligned to values, this is not only a sign of their integration into the community, but also that they understand what it means to practice the values that your culture holds important.

Once you’ve successfully onboarded your new employee, coaching and feedback become the critical components of successful talent management. According to one Bersin by Deloitte study, organizations that are highly effective at preparing managers for the coaching relationship were about 130% more likely to see strong business results. Bersin suggests three coaching activities that make the biggest difference: listening actively, reinforcing positive behavior, and asking open-ended questions. Research from Gallup has shown that managers who fail to give feedback fail to engage 98% of their employees.

Social recognition is the ideal platform to promote a coaching culture because it offers immediate, specific positive feedback whenever colleagues witness great behavior and delivers that positive reinforcement at a time when it will be most impactful.

As you look to the future, how do you find your true stars? According to WorldatWork, only 17% of organizations even know all of their top-performing employees or are looking to develop them for future roles. Yet intellectual capital advisory firm Ocean Tomo notes that 84% of a company’s market value is now calculated on such intangible assets: knowledge, reputation, and human talent. It is critical for you to be able to identify your best employees, so that you can retain, promote, and cultivate them.

Only 17% of organizations even know all of their top-performing employees or are looking to develop them for future roles.
90% of those surveyed said feedback from employees’ direct supervisor and feedback from others in the organization is a more accurate picture of employee performance.

74% said crowdsourced recognition data (relying on input from multiple sources) would provide a more accurate picture of employee performance.

78% said crowdsourced recognition would be helpful data to incorporate into employee performance reviews.

High-impact leadership organizations spend 1.5-3x more on management development than their peers.\(^\text{18}\)
Unwanted turnover is a costly liability and a pervasive business issue.
Nearly 3 million Americans voluntarily left their jobs in May 2016—a number not seen since before the recession.20 And a 2015 Willis Towers Watson survey showed 50 percent of all organizations globally reported difficulty retaining their high-potential and top performers.21 In fact, according to the 2015 SHRM/Globoforce Employee Recognition Survey report, retention is the #1 challenge faced by HR organizations—topping the list for the first time in the history of that survey.22

How much is turnover costing your business? The University of Arizona Medical Center conducted an eye-opening study in 2009 setting the cost of replacing a generalist at $115,554; replacing a subspecialist at $286,503; and a surgical subspecialist at $587,125.23 With inflation and the looming war on talent, those numbers have become even more critical. Korn Ferry Hay Group studies estimate the cost of replacing employee to be between 50 and 150% of salary.24 For specialist, senior, and executive positions, the cost per employee rises to up to 213% of salary.25

When we factor in intellectual loss, and time and productivity lost to vacancies and onboarding, we begin to see just how significant these “hidden costs” really are.

Research overwhelmingly shows that recognized employees are more likely to stick with you. In the 2015 SHRM/Globoforce Employee Recognition Survey, 68% of organizations with social recognition reported a direct positive impact on retention.26 A recent IBM report cited IBM’s WorkTrends study that showed “intention to leave is twice as high among employees who do not receive recognition (51%) compared to those who do (25%).”27 That’s because appreciated employees stay the course.

According to Glassdoor, more than half of employees would stay longer if they felt more appreciation from their boss.28 How can you be sure that employees feel appreciated? Recognize them. A 2016 study from the WorkHuman Research Institute at Globoforce showed 92% of workers feel appreciated when they receive recognition and reward. It also makes them more proud, more committed, and less likely to leave.29

**MOVE THE NEEDLE ON RETENTION**

**RECOMMENDATION**

Determine your own turnover rates and annual turnover costs. Compare that against the investment in a social recognition program. Invest in recognition as a way of keeping retention high.

The cost of replacing employee is between 50 and 150% of salary.30 For specialist, senior, and executive positions, the cost per employee rises to up to 213% of salary.31
Companies with a strong talent brand registered a 36% gain in share price over the last five years.

REAL RESULTS

For every 10 percentage point increase in recognition, JetBlue saw:

- 3% increase in retention
- 2% increase in engagement
There has always been one argument in business that tends to trump everything else: “It benefits the bottom line.”
Social recognition is proven to make employees happier, and to make employees feel more satisfied with their jobs, safer, and more aligned. But it also drives engagement. In fact, 90% of those surveyed in the 2015 SHRM/Globoforce Employee Recognition Survey said that social recognition measurably and positively impacted engagement. And—this is where your CFO will sit up and take notice—engagement leads directly to improvements to the top and bottom lines, such as increased productivity, customer loyalty, sales, and profits. Take for an example Best Buy, which found that for every 10th of a point boost in employee engagement, stores saw a $100,000 increase in operating income. InterContinental Hotels Group, a Globoforce client, found that, “a 5 percentage point rise in engagement equals 70 cents of increased revenue per available room per night. This means a 200-bed hotel could make more than $50,000 in additional revenue a year by improving staff engagement.”

Gallup research shows that engaged companies have a significant competitive advantage. They found that companies with an average of 9.3 engaged employees for every actively disengaged employee in 2010-2011 experienced 147% higher earnings per share (EPS) compared with their competition. Companies with only 2.5 engaged employees for every actively disengaged employee have 2% lower EPS.

So engagement is key. But how do you get it? “The powerful thing about recognition is that it reminds people of what matters most,” says Mary Ann Masarech, Lead Consultant, Employee Engagement Practice at BlessingWhite. “This is a key part of engagement—to redirect employee effort and attention to the top priorities of the organization. Regular recognition throughout the year is a reminder of what you need employees to keep doing.” According to our research with SHRM, companies that use peer-to-peer recognition see a 57% increase in engagement. That engagement directly impacts business. Take JetBlue, for example. After implementing its Lift recognition program, JetBlue found that engaged crewmembers were three times more likely to “wow” customers. Another example is at Symantec. After launching their social recognition program, employee engagement increased 14 percentage points in just 9 months. IM Flash also found that 96% of employees who feel most recognized also report being most engaged.

Historically, recognition programs have been quite tactical in nature—consisting of managers handing out gift cards from a drawer or years of service programs that give tenured employees watches or pins. But values-based programs that allow for peer-to-peer recognition are better for business. Peer-to-peer programs are 35.7% more likely to have a positive impact on financial results than manager-only recognition, and organizations with the most mature employee recognition approach are 12 times more likely to have strong business results. With its strong impact on engagement, social recognition drives business outcomes in a direct and compelling way.

### CUSTOMER SATISFACTION BY EMPLOYEE ENGAGEMENT

| Less engaged | 60% |
| More engaged | 90% |

Strong positive relationships between organization engagement scores and American Customer Satisfaction Index (ACSI) scores.

*“Employee Engagement from a Retail Sector Perspective,” International Journal of Marketing and Human Resource Management, April 2013*
A glance at recent research from groups like Gallup, Hewitt, and Willis Towers Watson shows that high-engagement workplaces have:

- 5.75% difference in operating margins
- 3.44% difference in net profit margins
- 8% higher revenue per employee
- 63% higher customer loyalty
- 50% higher sales
- 56% higher revenue growth potential
- 27% higher profits
- 59% difference in shareholder return
- 3.44% difference in net profit margins
What current and former employees say about your culture can have a huge impact on recruitment.
RECOMMENDATION
Assess how you currently market your company’s internal brand. Consider tying your employer brand to a values-based recognition program that reflects your company’s unique culture and attracts the right candidates.

SOCIAL RECOGNITION HELPS BUILD A MAGNETIC EMPLOYER BRAND

Considering the fact that U.S. businesses spend more than $110 billion on talent acquisition (that’s more than $3,000 per hire),51 there is not a company in the US—and we would argue the world—who can afford to ignore their employer brand.

For one, job seekers are more informed than ever before. Nearly half (46%) of Glassdoor members read company reviews when they first start their job search, even before speaking with a recruiter. And nearly half of job seekers now use social media to look for work. Transparency is key. What current and former employees say about your culture can have a huge impact on recruitment. In a 2012 Allegis Group Services study, 66% of respondents said they would not take a job with a company that had a bad reputation—even if they were unemployed.

Change the conversation with a social recognition program that lets you “walk the talk.” Our 2016 WorkHuman Research Institute survey found that workers recognized in the last month are 29% more likely to believe their company is open and transparent.55 By fostering authenticity and transparency, you cultivate feelings of goodwill and camaraderie among employees, feelings they make public in how they talk about the company. In our 2015 SHRM/Globoforce Employee Recognition Survey, 66% of HR professionals said values-based recognition helped them build a stronger employer brand.56

Social recognition is also integral to building a culture that job seekers want. According to a 2010 Monster/Unum study, 87% of employees said they want a company that they believe “truly cares about the well-being of its employees.”57 In our 2016 WorkHuman Research Institute survey, we asked workers whether their leaders care about building a human workplace, focused on employee well-being. Those with values-based recognition were nearly two times as likely to agree.58

Tying your employer brand to a values-based recognition program not only helps with recruitment, but also helps you deliver on the “employee deal” made when you hire someone. As you can see in Figure 1, when companies align with what they stand for in the marketplace and live up to the deal they promised when an employee was hired, engagement soars. Conversely, when you set an expectation that you don’t deliver on, engagement can plummet.

FIGURE 159 ENGAGEMENT LEVELS

<table>
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<tr>
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<th>Company aligns the employment deal with what the organization stands for in the marketplace</th>
<th>Company lives up to the employment deal after an employee is hired</th>
<th>Company has a reputation for providing a good employment deal</th>
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<td><strong>YES</strong></td>
<td>92%</td>
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<tr>
<td><strong>NO</strong></td>
<td>12%</td>
<td>11%</td>
<td>93%</td>
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Companies with a strong talent brand registered a 36% gain in share price over the last five years.

A strong employer brand attracts talent faster, saving companies up to 50% in cost-per-hire expenditures.

Organizations with strong talent brands enjoy a 50% increase in the number of applicants per job posting.

Companies that align with what they stand for in the marketplace have engagement scores in the 92-93% range.59
Happiness raises nearly every business outcome we can measure.
RECOMMENDATION

Consider a company-wide social recognition program that encourages every employee to show gratitude. Maintain an open, multilateral dialogue within your organization to cultivate trust.

Happiness raises nearly every business outcome we can measure.
74% of employees said being recognized increased their happiness at work.

35% credit recognition for increasing their happiness at home.

51% of employees with values-based recognition programs recognized in the last 6 months reported being happy (compared to 35% without).

60% of employees with values-based recognition programs recognized in the last 6 months reported they are happy in all aspects of their lives (compared to 47% without).

High-performing employees are good for business, but what motivates them to work hard?
RECOMMENDATION
Establish a positive feedback loop that makes employees feel appreciated, adds meaning to their work, and motivates them to reach their highest potential. Use recognition to reinforce behaviors that lead to success in your organization.

DRIVE EMPLOYEE PERFORMANCE

A 2012 Willis Towers Watson study showed that the operating margin of organizations with high sustainable engagement is close to three times that of companies with low traditional engagement. "This finding underscores why organizations need to think more broadly about all of the factors that influence their performance, in both the short and long term."

High-performing employees are good for business, but what motivates them to work hard? Giving employees more money and hoping for better results doesn’t work. Research shows that monetary incentive alone only increases performance by 11%. However, it is social recognition and feedback that really move the needle. The same study showed that a combination of feedback, social recognition, and monetary incentive (including tangible rewards) will increase employee performance about 32%.59

Mark Royal, a Hay Group senior principal, explains how recognition can help drive performance: “We often encourage organizations to think about recognition as a positive form of performance feedback. It can be a great way of helping to clarify for employees what some of those must-win battles are.” Because social recognition is tied back to corporate values, you can encourage the specific behaviors that lead to success in your organization.

One example of this is at Intuit, where employees use the Spotlight social recognition program to share appreciation between colleagues. In a recent survey, more than 90% of award recipients said that receiving recognition helps them to continue to deliver above-and-beyond results.

Recognition also makes flow possible for employees. Flow is the feeling you get when everything “clicks.” It’s an optimal experience characterized by a positive mood and requires feelings of learning, development, and mastery of our work. And according to Claremont Graduate University Professor Mihaly Csikszentmihalyi, we can help employees achieve flow by offering stability, clear goals, achievable challenges, and meaningful, immediate feedback.59

Employees themselves say they will go above and beyond if they feel appreciated. In a Glassdoor survey, 81% percent of employees said they will work harder when their boss shows appreciation, as opposed to only 38% who will work harder when a boss is demanding and 37% because they fear losing a job.59 This is why it’s so important to build a culture of recognition in your organization, where it’s easy for managers and employees to show appreciation.

Social recognition creates a groundswell of positivity throughout the organization, which a recent Harvard University study found to be a central driver of performance. Researchers found that knowledge workers are more creative and productive when their inner work lives are positive. Managers can use recognition as an act of interpersonal support—one that can add more meaning to work by shifting employees’ perception of themselves and creating a positive feedback loop.59

60% of best-in-class organizations found employee recognition to be extremely valuable in driving individual performance.
In a 2016 study from the WorkHuman Research Institute, we asked, “How does receiving recognition & rewards at work make you feel?”

- **81%** say it makes them feel more committed.
- **79%** say it makes them work harder.
- **78%** say it helps them to be more productive.

60% of best-in-class organizations found employee recognition to be extremely valuable in driving individual performance.
THE TAKEAWAY

To make a compelling business case for social recognition, you need the facts. Use these 7 factors, backed by the latest industry studies and statistics, to show senior management the proven links between social recognition and quantifiable business metrics.

Join the growing list of admired companies, like JetBlue, Intuit, The Hershey Company, and Cisco Systems, that are using social recognition to build a more human work culture that helps businesses thrive and enables people to do the best work of their lives.

#WORKHUMAN

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workhuman.com
Learn how social recognition from Globoforce can have a real, measurable impact on your organization’s bottom line.