

September, 2011

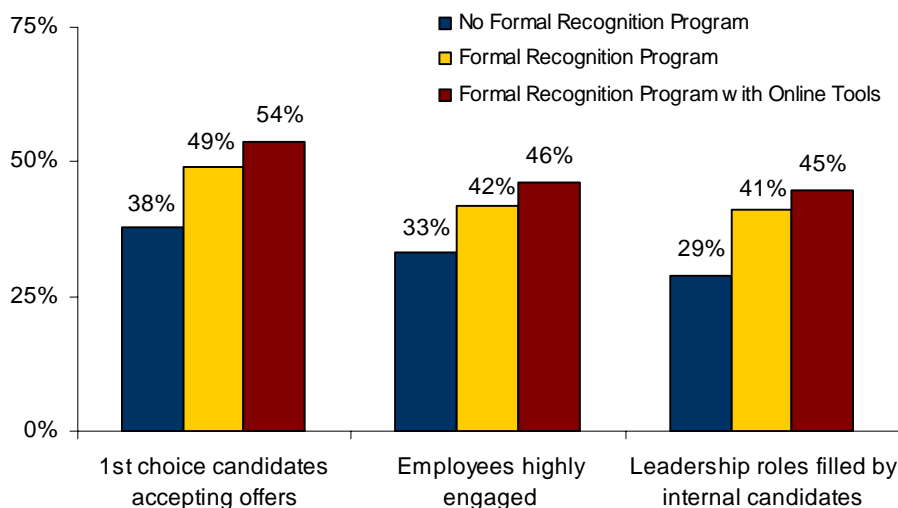
## Rewards and Recognition: Achievers Clients Achieving More

Rewards and recognition are important elements driving employee engagement and performance inside organizations today. Aberdeen's July 2011 report *The Engagement / Performance Equation* found that Best-in-Class organizations were 23% more likely to have formal recognition programs in place and 24% more likely to utilize online tools to track and manage their rewards and recognition programs. Of the 95 organizations in the study using online tools in support of their formal programs, 29 were using one particular vendor, Achievers, as their partner in delivering these programs. This research brief not only builds the business case for rewards and recognition as powerful tools to improve performance, but also looks at the specific levels of performance achieved by Achievers customers.

### The Case for Rewards and Recognition

Organizations know that the key to unlocking performance, and ultimately growth, is aligning the actions, goals and activities of the individual with the priorities of the organization. But according to the over 400 survey respondents to *The Engagement / Performance Equation* study, the biggest barrier to better managing this performance is a lack of follow-up between individuals and their managers, cited by 42% of respondents. Recognition and rewards can be powerful tools to overcome this barrier by reinforcing alignment and providing tools and processes to help managers that improve results throughout the talent lifecycle (Figure 1).

**Figure 1: The Impact of Rewards and Recognition**



### Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

### Best-in-Class Definition

In Aberdeen's September 2011 report *The Engagement / Performance Equation*, the following key performance indicators were used to determine the Best-in-Class for employee performance management, with top performers achieving impressive results:

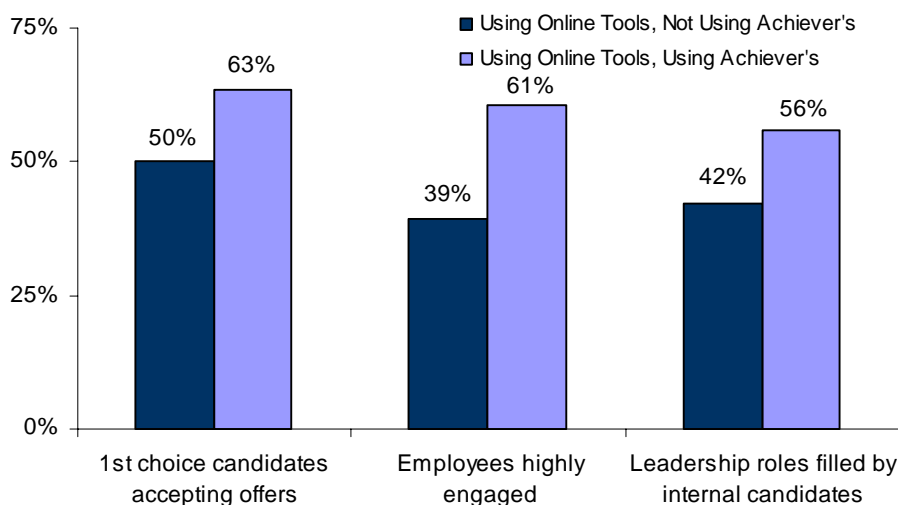
- ✓ 71% of employees rated "exceeds expectations" on their most recent performance review
- ✓ 62% of employees rated themselves "highly engaged" in most recent engagement survey
- ✓ 11% year-over-year improvement in employee retention

Source: Aberdeen Group, September 2011

As the data shows, these kind formal programs influence not only employee engagement - which has significant positive impact on individual and organizational performance - but also an organizations ability to keep top talent in the leadership pipeline and to attract top talent. Supporting formal recognition with online tools to manage and facilitate the recognition process and support it with rewards aligned to the kinds of achievement being recognized moves the dial even more.

For users of one particular supplier of these kinds of tools, Achievers, the impact is even more dramatic. These organizations outperform users of other tools, including home-grown solutions, in all three of these key areas (Figure 2). It's also worthy of note that the biggest differential comes in employee engagement. As we will discuss later in this report, achieving higher levels of engagement is essential to drive business results.

**Figure 2: Performance of Achievers Customers**



Source: Aberdeen Group, September 2011

Of course, a tool can only take an organization so far. It must be supported by the commitment of leaders, the adoption of managers, and a culture of recognition and ongoing performance improvement. Indeed, 43% of Best-in-Class organizations cited *creating an ongoing performance management mindset or culture rather than one time annual reviews* as one of the top activities with the biggest impact on performance, ranking it number one. And 63% of the Best-in-Class indicate that formal rewards and recognition programs are extremely valuable to impacting individual performance. As the case study below from 3M Canada demonstrates, combining this mindset with the right tools to deliver rewards and recognition has a powerful reach to not only improve performance, but change behavior.

**Fast Facts**

- √ 63% of Best-in-Class organizations indicate that formal reward and recognition programs are extremely valuable to impacting individual performance

### Case Study — 3M Canada

3M Canada is part of a diversified global technology company serving customers in a wide variety of industries and communities with innovative products and services. As a company with a strong manufacturing presence, the concept of LEAN was important to the organization (LEAN is a management concept based on eliminating excess work while improving quality). As a measure to reinforce LEAN within the organization, the HR team was tasked with finding a reward solution that would help manage the reward program around the initiative. What they wound up finding was a solution that helped transform their culture, employer brand, and reward and recognition mindset.

Although the initial scope was limited to a reward program for LEAN activities, the selection team quickly discovered that there were already a number of other reward solutions in place. “We had everything from recognition platforms for corporate sales, to individual managers with a drawer full of gift cards,” said Marnie R. McKerlie, Talent Solutions Manager, 3M Canada. “It quickly became apparent that our focus, both in terms of internal reach and what was possible through technology solutions, was too narrow.” The team quickly got the green light to expand the scope, and focused on finding a solution that was easy to administer, headcount neutral, and that could measure and report on impact. In the selection process the team realized that the system was table stakes when choosing a rewards partner. “The consultative approach and access to learning and best practices is what drew us to Achievers – and continues to be a critical part of our ongoing relationship,” said McKerlie.

Once a vendor was selected, the next step became rolling out the solution in a way that would encourage adoption. The team focused on educating employees and managers on what reward and recognition was all about, and how to ensure that the behaviors being rewarded were aligned to organizational goals. “3M values employee engagement so it wasn’t a hard sell, but we did educate the organization on the business value of engagement, and the importance of reward and recognition,” said McKerlie. The solution also removed barriers for managers who were motivated to reward their teams. Now the spend on reward can be centralized and tracked, and roadblocks like accounting for taxable benefits were lifted. The effort began with a soft push, educating the company on the availability of the tools and encouraging both peer-to-peer and supervisor recognition to gain adoption.

The program is branded internally as “We are 3M” and touches all employees through one cohesive program. Recognition is embedded in the culture and “3Mers”, as they call themselves, have made We are 3M part of the language. Now in the second phase the focus is on tying to

continued

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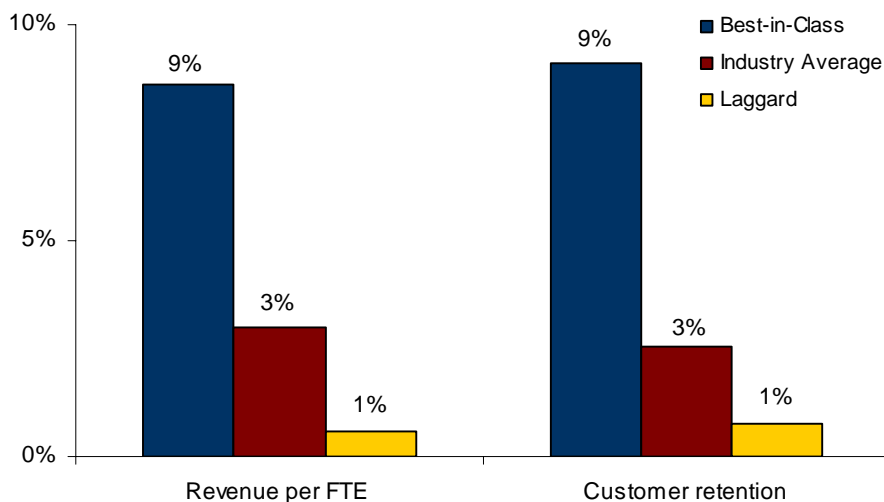
departmental and organizational objectives and specific core values. A new campaign has been launched that encourages people to ask their manager “How can I earn points?” Not only will this encourage usage, but it will push supervisors to define recognition, and focus on making very specific the types of behavior that align with goals. In addition, in the online interface the organization features pictures of real 3Mers who’ve received rewards, and seasonal campaigns featuring messages such as “We are thankful”, “We are festive”, and “We are bright” to encourage participation are launched.

In terms of the results achieved, it is still early to have definitive results. In the overall employee satisfaction, satisfaction with recognition scores moved from 58% to 62%, and the comments were positive. The organization was also able to maintain its established reward budget, and by evening out the dollar award swing among options in their former service award program they were able to start the awards sooner. Now instead of waiting until year 5, service awards start at year 1 without increasing the budget. “Support from senior management was key,” said McKerlie. “So was a well planned, multi-channel, ongoing communication plan to encourage adoption.”

### The Power of Engagement

As we have seen in the data above, rewards and recognition have a powerful impact in many facets of the talent management lifecycle. But one of the biggest areas of improvement seen by organizations using these tools is in employee engagement. So why should organizations care about engagement? Figure 3 makes it clear.

**Figure 3: Performance of Best-in-Class Organizations**



Source: Aberdeen Group, June 2011

The Best-in-Class in the *Engagement / Performance* study were defined as those achieving top levels of employee engagement, individual performance against goals, and employee retention. And the payoff for boosting those key metrics shows up in improved revenue, customer retention, as well as achievement of overall organizational goals. The Best-in-Class achieved, on average, 70% of their goals in the previous year, vs. 46% at Industry Average companies and 36% for Laggards. Achieving twice as many company goals is a significant return for an investment in improved engagement.

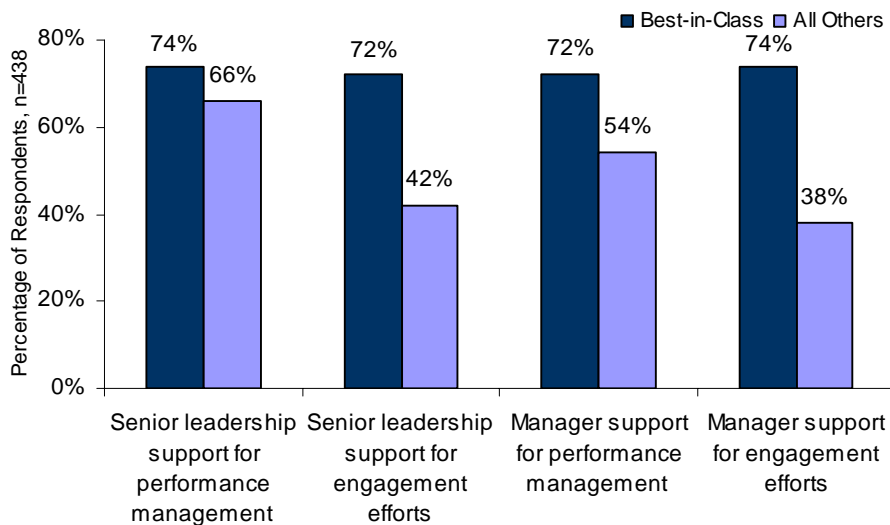
**Fast Facts**

- √ Best-in-Class organizations achieved, on average, **70%** of their goals in the previous year, vs. 46% at Industry Average companies and 36% for Laggards

**Top Down and Bottom Up**

As the case from 3M showed, organizational culture and support plays a huge role in engagement and performance, as well as in implementing a powerful and effective rewards and recognition program. The skill of giving feedback and finding ways to catch employees "doing good" is not something every manager has in equal measure. And indeed, Best-in-Class companies are 81% more likely to provide managers with training and tools on strategies for engaging employees (56% vs. 31%). Companies that want Best-in-Class performance need to consider how they are supporting managers with the tools and support required for delivering aligned, powerful recognition to individuals, as well as optimizing rewards to celebrate top performance. As Figure 4 shows, support and buy-in from both senior leadership as well as front-line and mid-level managers is critical for both performance management and engagement efforts. And as the leaders at 3M demonstrated, this buy-in for rewards and recognition is essential too.

**Figure 4: Critical Organization Capabilities**



Source: Aberdeen Group, June 2011

Managers are where the rubber meets the road for engaging employees by providing that feedback, translating strategy and providing visibility into performance. Without their buy-in, execution and more importantly, improvement, is nearly impossible.

And while this buy-in is critical, peer-to-peer recognition is powerful as well. The data shows us that 44% of Best-in-Class organizations have tools to enable peer-to-peer recognition and performance feedback in addition to traditional top-down feedback. Specific, traceable, aligned feedback, and enabling peers to be additional eyes and ears managing performance and sharing recognition is a powerful reason to adopt technology tools to enable recognition and rewards programs. Sometimes the knowledge that an individual's hard work did not go unnoticed, and that a peer cared enough to let leadership know about a job well done can buy more goodwill than any monetary reward. It is this combination of both recognition - from all sides - and rewards that boosts engagement, drives performance, and impacts results.

## Key Insights

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Performance, engagement, rewards and recognition are all deeply intertwined, but figuring out how to start facilitating recognition, aligning it with performance, and rewarding achievement are all key steps in the process of improving overall organizational results. When implementing or considering a rewards and recognition program for your company, remember the following key takeaways.

- Use formal rewards and recognition programs to align employees to the organization and improve engagement and performance
- It takes a strong engagement strategy to support employee performance goals
- Automated recognition and rewards programs reduce administration time to allow HR to focus on more strategic initiatives
- It's just not top down: enable peer-to-peer recognition to achieve performance goals
- Boost performance within your organization today by building a culture of performance and recognition

For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

### Fast Facts

- √ **44%** of Best-in-Class organizations have tools to enable peer-to-peer recognition and performance feedback

Related Research	
<a href="#"><u><i>The Engagement / Performance Equation</i></u></a> ; July 2011 <a href="#"><u><i>Assessments 2011: Selecting and Developing for the Future</i></u></a> ; May 2011 <a href="#"><u><i>The 2011 HR Executives Agenda: Automation, Innovation and Growth</i></u></a> ; December 2010	<a href="#"><u><i>Learning &amp; Development 2010: Bridging the Gap Between Strategy and Execution</i></u></a> ; October 2010 <a href="#"><u><i>Succession Management: Sustainable Leadership for the Future</i></u></a> ; July 2010 <a href="#"><u><i>Beyond Satisfaction: Engaging Employees to Retain Customers</i></u></a> ; July 2009
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