TOMORROW'S MANAGEMENT TODAY: INCENTIVIZING WORKFORCE INNOVATION

Author: Zachary Chertok
Research Analyst, Human Capital Management

Report Highlights

p4

38% of Best-in-Class companies are placing engagement ahead of automation, to understand how people contribute to organizational goals prior to automating any internal processes. By contrast, only 18% of Best-in-Class companies are turning to automation as a replacement for human engagement in strategic decision-making.

p5

Employees at Best-in-Class companies were 31% more likely than All Others to stay with their employer, because they could see the relevance of their work to the greater organization.

p6

Best-in-Class companies are 16% more likely than All Others to view rewards and recognition as vital for improving employee performance.

p6

Best-in-Class companies are 26% more likely than All Others to find that rewards and recognition enhance employee engagement and productivity.

Management protocols are shifting to favor goal-based strategies that incentivize the workforce to innovate and achieve. These new avenues are developing new data sets to complete the picture on how to measure productivity and drive business value from human capital.

ABERDEEN GROUP

Best-in-Class companies are retaining and using labor investment resources, while moving their peripheral HCM investments to favor goal-based platforms in rewards and recognition.

Management strategies have been evolving, over the last two to five years, to favor more bottom-up measures to drive greater workforce productivity. While Aberdeen has found that Best-in-Class companies are retaining and using labor investment resources in payroll and compensation management, many of their peripheral human capital Management (HCM) investments are moving away from pure labor cost quantification to favor goal-based platforms in rewards and recognition.

Table 1: Best-in-Class Use of HCM Functionality Year Over Year

HCM Functionality	2016	2015	Change
HRIS	50%	50%	0%
Time and Attendance	59%	63%	-7%
Scheduling	30%	13%	57%
Assessments	68%	71%	-4%
Background Checks	50%	50%	0%
Learning Management	50%	50%	0%
Payroll Management	77%	75%	3%
Benefits and Compensation	66%	51%	23%
Rewards and Recognition	39%	38%	3%
Workforce Analytics	32%	21%	34%
Source: Aberdeen Group	September 2016 n = 204	July 2015 n = 174	

Table 1 shows the top HCM enablers from 2015 and 2016 alone. As previously mentioned, top HCM functionality used by Best-in-Class companies, is shifting away from quantitative, top-down management measures to be more inclusive of unstructured, bottom-up data sets. These bottom-up measures balance individual performance contributions against corporate investment in the labor force, opening new avenues for continuous performance management while increasing visibility into the achievement of corporate goals and objectives. Best-in-Class companies are moving away from strict labor cost management to a more performance-based determination of the

3

ROI of the workforce that allows management to reconnect with the shop floor for more guided increases in performance quality and productivity.

Engagement: Linking People to Outcomes

The communication of corporate goals and objectives is not reaching line employees as strongly as it should be. Lack of granular clarity is prohibiting greater alignment of workforce objectives and task management with the outcomes desired by senior management.

Over the last decade, employers have struggled with how to properly measure workforce productivity. At the same time, HR is grappling with how to justify labor expansion while tying employee value to corporate growth and innovation. Skilled labor is a component of the goals that lead to productive outcomes. Management relies on labor to contribute data about goal attainment and task completion, as employees fulfill their daily responsibilities. Ordinarily this achievement data would be analyzed alongside labor compensation data, to establish an understanding of productivity cost, by contrasting employer input with employee output.

In reality, a logistical problem has surfaced as employee goals are being managed at the departmental level. Departmental goal attainment data fractured the organizational data set leaving output unmeasurable across the entire company. Individual departmental management also limits communication of senior management goals. The lack of communications, distances employee task management from the goals of the organization, leading to employee disengagement. Disengagement then

ABERDEEN
GROUP

4

contributes to lower achievement rates of corporate goals coupled with shorter employee retention spans.

Table 2: Best-in-Class HCM Pressures

Business Pressures	2016
Lack of High Potential Candidates	36%
Low Levels of Innovation	30%
Low Revenue Per FTE	25%
Declining Productivity	16%
Inability to Overcome the Skills Gap	9%
Elevated Disengagement with Time	11%
Poor Relationships Between Employees	11%
High Employee Turnover	20%
Failure to Meet Budget Expectations	14%
Lack of Employee Engagement	18%

Source: Aberdeen Group   September 2016 n = 204

> 38% of Best-in-Class companies are placing engagement ahead of automation, to understand how people contribute to organizational goals.

Table 2 shows the top pressures facing Best-in-Class companies. While high potential talent remains the top challenge, it is part of a larger challenge to make the business case for the workforce. The larger challenge is emerging to be the top pressure facing Best-in-Class HR organizations. Making the business case relies on quality data that contributes to an understanding of the cost versus benefit of the workforce, and of individual employees. Best-in-Class companies are therefore beginning to focus on data relevance and employee buy-in to solution use, as they chart out how their HCM solution ecosystem can help them measure and improve productivity and innovation. Honing in on data quality has pushed Best-in-Class companies to buy into solutions that automate communications and benchmark recognition for employees to manage their own goals handed down by management. Consequently, the Best-in-Class are integrating human engagement with management automation. Aberdeen has found Best-in-Class companies are 53% more likely (38% vs. 18%)

ABERDEEN
GROUP

to place engagement ahead of automation than to turn to automation as a replacement for human engagement in strategic decision-making.

As Best-in-Class companies are pushing aside automation in favor of human interaction, they are pushing the execution of management goals and objectives down to the departmental manager level. In a 2016 survey, Aberdeen found that Best-in-Class companies were 71% more likely than All Others (50% vs. 15%) to see the quality of employee performance improve in line with the general quality of business in the last 12 months. In contrast, Best-in-Class companies were only 49% more likely than All Others (25% vs. 13%) to see employee performance improve in line with greater achievement of management goals and objectives.

In the same survey, Aberdeen found that employees at Best-in-Class companies were 31% more likely than at All Others (86% vs. 59%) to stay with their employer, because they could see the relevance of their work to the greater organization. Pushing goals management to the departmental level is also delegating management for goal outcomes. Desired outcomes that come down from upper management are interpreted into department-specific tasks before reaching line employees. Innovative ideas coming from the shop floor, are simultaneously watered down to the lowest risk possible, in order not to compromise the positions of managers who promote them. The result is that only 25% of Best-in-Class companies are seeing employee performance improvements line up with greater attainment of senior management objectives.

Linking Performance to Rewards and Recognition

Communicating corporate goals and objectives through the management hierarchy, in an undistorted way, is important to increase the rate of achievement of those goals, and subsequently, relevant employee productivity. In 2016, Aberdeen found that Best-in-Class companies are 14% more likely than All Others (30% vs. 25%) to link rewards and recognition to management level goals. Best-in-Class companies are also 46% more likely than All Others (32% vs. 17%) to link innovation management programs and campaigns to HR initiatives and rewards and recognition.

Rewards and recognition platforms enable departmental managers to set goals and objectives that are transparent and accessible to upper management. These solutions also provide visibility into metrics around achievement rates and worker participation for line employees and departmental managers to be accountable, in terms of how their tasks fit into the greater organizational roadmap. Through the direct oversight of goals, senior management can ensure that their corporate objectives serve as the reasoning behind milestone-related objectives. Using the same goals setup, departmental managers can also ensure that downstream achievement rates connect into the greater organizational roadmap for growth – without disrupting other department objectives along the way. Finally, employees can track and view their performance metrics, while understanding how their individual roles fit into the greater corporate machine.

By linking effective communications to performance metrics, rewards and recognition is increasingly contributing to employers' understanding of workforce participation, performance management, and engagement in workplace goals and objectives. Aberdeen has found that Best-in-Class companies are 16% more likely than All Others (71% vs. 59%) to view rewards and

> Best-in-Class companies are 14% more likely than All Others to link rewards and recognition to management level goals.

ABERDEEN GROUP

7

Best-in-Class companies are 26% more likely than All Others to find that rewards and recognition enhance employee engagement and productivity.

recognition as vital toward improving employee performance. The emergence of rewards and recognition is shifting the labor data set into focus while providing new means to tie relevance into individual employee objectives.

In terms of the organization, this means that rewards and recognition serve as a bottom-up management strategy that improves transparency of corporate goals and objectives, while measuring the achievement of employee components to those goals on an individual level. From the employee perspective, Aberdeen has found that Best-in-Class companies are 26% more likely than All Others (73% s. 54%) to find that rewards and recognition enhance employee engagement and productivity. Tying this data into the HRIS, workforce management, payroll, and compensation management data sets means that companies can strategically drive productivity related to corporate goals and objectives beyond productivity for productivity's sake.

Recommendations for Best-in-Class Rewards and Recognition

In Table 1, Aberdeen found that there was a three percent increase in the number of Best-in-Class companies using rewards and recognition. Analyzing the rest of Table 1, and combining it with the pressures in Table 2, point to a strategic shift in management styles to push for a combined top-down and bottom-up data set. To achieve this, Best-in-Class companies are reviewing their corporate goals and implementation procedures to measure workforce investment data alongside workforce participation and productivity metrics to understand the ROI of the workforce. While benefits management, compensation, payroll, and workforce management data provide the investment element, rewards and recognition solutions are filling out the

ABERDEEN GROUP

8

bottom-up achievement data set for insight into workforce participation.

With the general understanding of the contributions of rewards and recognition to this HCM ecosystem, Aberdeen recommends the following steps toward selecting a rewards and recognition partner to answer your market pressures:

➔ **Inventory Existing Data Sets** – Take stock of the solutions that constitute your current HCM ecosystem and what holes, if any, exist in the list of metrics you currently have on hand.

➔ **Analyze Your Labor Business Case** – Look back over the last two, five and ten years of business operation and determine what critical HR metrics have changed for the worse. Within probable metric sets, pay close attention to the labor retention rate, consistencies in employee feedback over time, career development rates, succession plans, and workforce participation in goals and objectives.

➔ **Develop a Trial Set of Goals** – Prior to selecting a rewards and recognition solution, consult with senior management and develop a trial run of goals campaigns that link to internal recognition, even if the test run is manual and ad hoc. Try more than one across different levels of the corproate hierarchy to establish a sample set that provides visibility into how communications move between different levels of management.

➔ **Build a Criteria List** – With a newfound understanding of the chain of operations and communications inside your organization, develop a process flow that details what features your rewards platform should provide and what data it should contribute through routine employee use.

Source: Aberdeen Group, December 2013

9

➔ **Determine Engagement Criteria** – Without worker participation, rewards management platforms will not deliver. Work with line employees to understand what would make them participate in goals campaigns and what motivates them to unify into a community. Link the criterial process flow, to the employee requirements, to develop a high-level implementation strategy that encourages routine participation and buy-in.

➔ **Look for Non-Disruption** – While counterintuitive to an innovative strategy, look for a solution that 1) does not deviate from your current solution set to add one more thing to the employee task list, 2) has a malleable workflow to make the user experience seamless, or 3) integrates with your other solutions for ease-of-use and workflow optimization – potentially via a third-party optimization partner.

➔ **Link Your Systems** – Link the rewards and recognition system to the time and attendance, payroll, and compensation management systems to cross-reference the data sets as they become populated. Measuring rewards data, against labor investment, provides a well-rounded employee data set to measure productivity, in terms of the ROI of the workforce.

➔ **Routinely Assess Your Data** – Continuously improve and leverage the data sets as needed, noting that low or high performance alerts are reasons to engage employees and not blanket reasons to decide on their fates.

ABERDEEN
GROUP

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research	
Analyze This: Workforce Productivity; September 2016 *Optimizing Rewards and Recognition with Configurable Technology;* October 2016	*Bridging the Skills Gap: Taking the Internal Approach;* November 2016 *Employee Engagement: The Key to Customer Satisfaction and Revenue Growth;* September 2016

Author: Zachary Chertok, Research Analyst, Human Capital Management

About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Waltham, MA.

ABERDEEN GROUP