Rewards and Recognition: Driving Engagement and Organizational Performance

Research Summary

Brandon Hall GROUP

Brandon Hall Group Research Team

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Rewards and Recognition: Driving Engagement and Organizational Performance

KEY FINDINGS

- High-performing organizations are the most frequent users of rewards and recognition technology solutions. A much greater percentage of high-performing organizations (68%) than other organizations (50%) currently use an in-house or third-party rewards and recognition technology solution.

- Employee engagement, appreciation and improving culture drive technology use.

- Rewards and recognition technology solutions favorably impact employee engagement, customer satisfaction, productivity, employee retention, and revenue.

- Technology buyers want providers that are aligned with their goals and values.

- Monetary rewards are usually provided for performance, while symbolic awards/jewelry/etc., are mainly given for length of service.

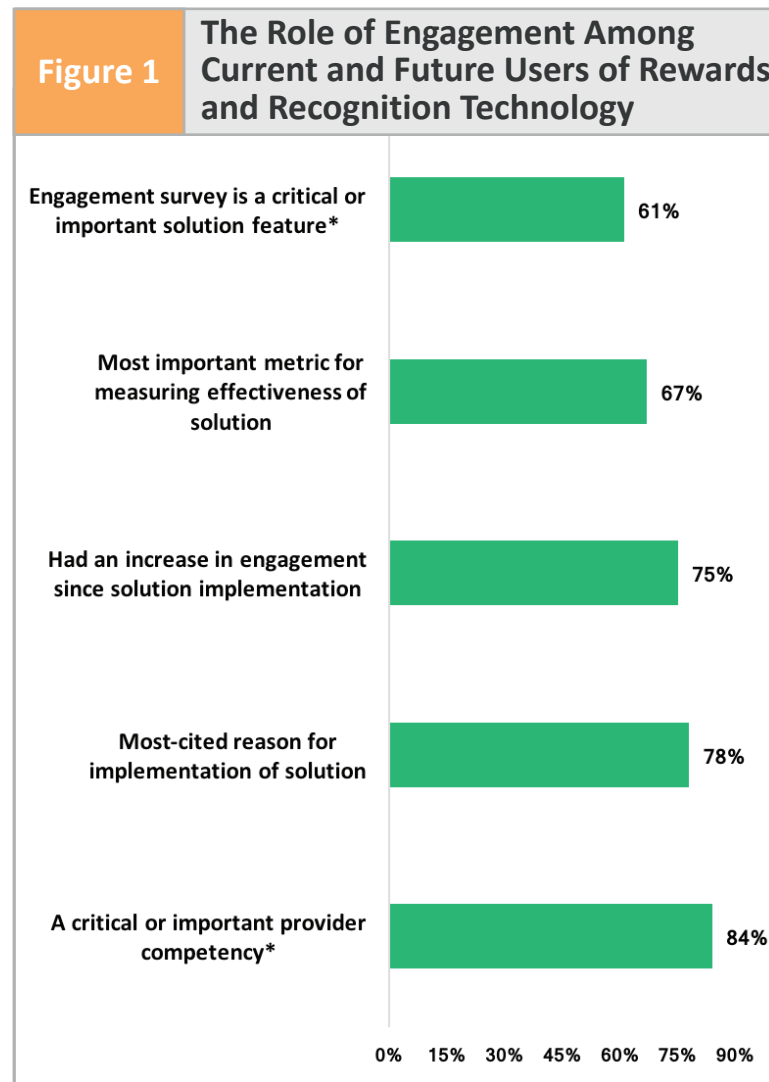Source: 2017 Brandon Hall Group Learning Analytics Survey (n=258)

Summary

Rewards and recognition technology solutions play a significant role in how organizations manage their workforce. Viewed as a way to engage employees, enhance the organizational culture, and improve organizational performance, these solutions are being used by 56% of organizations surveyed, but predominantly by high-performing[1] (68%) and enterprise (72%) organizations (10,000+ employees). On average, nearly 7% of an organization's talent management/HR budget is dedicated to rewards and recognition, and nearly 32% of organizations expect that budget to increase.

Our research shows that a substantial percentage of organizations have already seen an improvement in their key performance indicators since implementation of their rewards and recognition solution. Current users of a technology solution have seen an increase in: employee engagement (75%), productivity (61%), employee retention (46%), and revenue (33%). Only 1% to 3% indicate a decrease in those metrics. While the solution may not be the only reason engagement and productivity have increased, it greatly contributes to those metrics.

In terms of best practices, there are some differences in the types of rewards given for length of service and performance. Many organizations provide a monetary reward, such as a gift card (67%), for performance, while a symbolic award (41%) is typically given for length of service. In-person is the main way organizations reward (71%) and recognize (62%) their employees.

Figure 1 — The Role of Engagement Among Current and Future Users of Rewards and Recognition Technology

- Engagement survey is a critical or important solution feature* — 61%
- Most important metric for measuring effectiveness of solution — 67%
- Had an increase in engagement since solution implementation — 75%
- Most-cited reason for implementation of solution — 78%
- A critical or important provider competency* — 84%

Source: 2017 Brandon Hall Group Rewards and Recognition Study (n=263)
*Among all respondents.

[1]High-performing organizations (HiPOs) are shown through survey results to see overall improvement across these criteria: employee engagement, customer satisfaction, organizational revenue/performance, voluntary turnover, and organizational productivity.

ANALYSIS OF TOP FINDINGS

1. Use of Technology Heaviest Among HiPOs, Large Organizations

Overall, more than half of organizations use an in-house or third-party rewards and recognition technology solution. Another 15% plan to invest or develop one in the next two years. However, when looking at high-performing organizations (HiPOs), current use climbs to 68%. Additionally, a greater percentage of enterprise organizations (72%) than mid-size (1,000 to 9,999 employees) (63%) and small (under 1,000 employees) (41%) currently use an in-house or third-party solution.

Other key findings:

- Collaborative organizations are more likely than controlling organizations to use a rewards and recognition technology solution (60% vs. 42%).

- Among organizations currently using or planning to use a technology solution, 35% use, or will use, only an in-house developed solution, another 27% use or will use only third-party solution, and another 23% will use both an in-house and a third-party solution.

- More small organizations (45%) use or will use their own in-house developed solution versus using a third-party solution (14%) or both types of solutions (15%).

- Enterprise organizations use or will use a wide variety of approaches with an almost even percentage using only a third-party solution (29%), an in-house developed solution (31%), or both (29%).

- An average of nearly 7% of an organization's talent management/HR budget is dedicated to rewards and recognition, and nearly 32% expect that budget to increase.

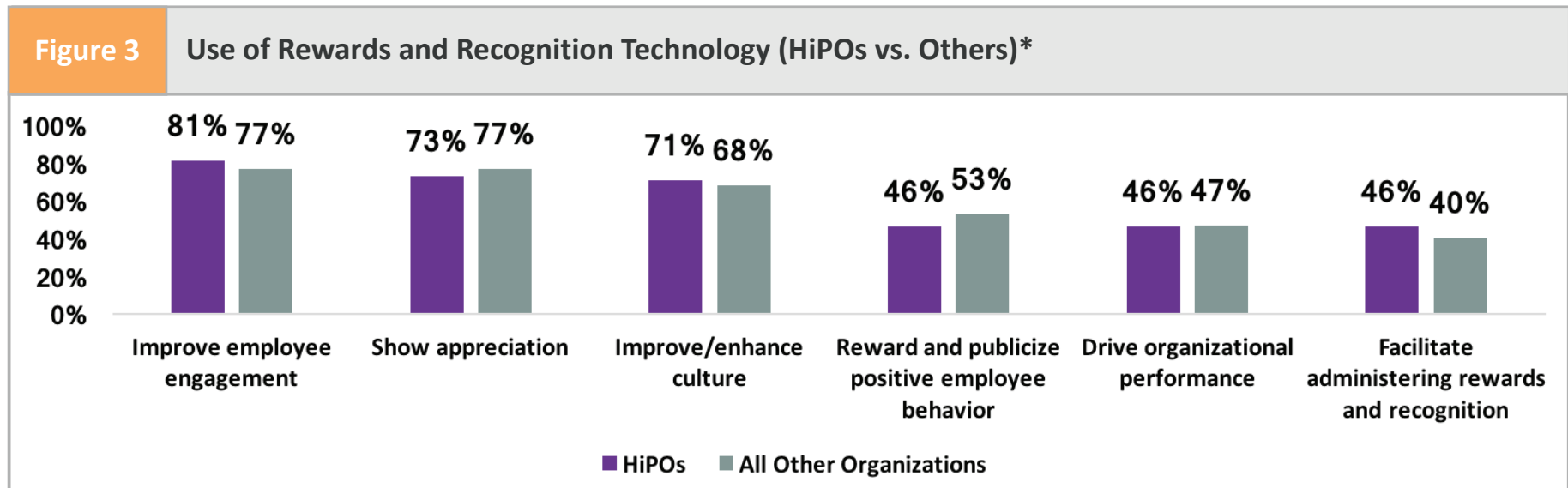**Figure 2** — Use of Rewards and Recognition Technology (HiPOs vs. Others)*
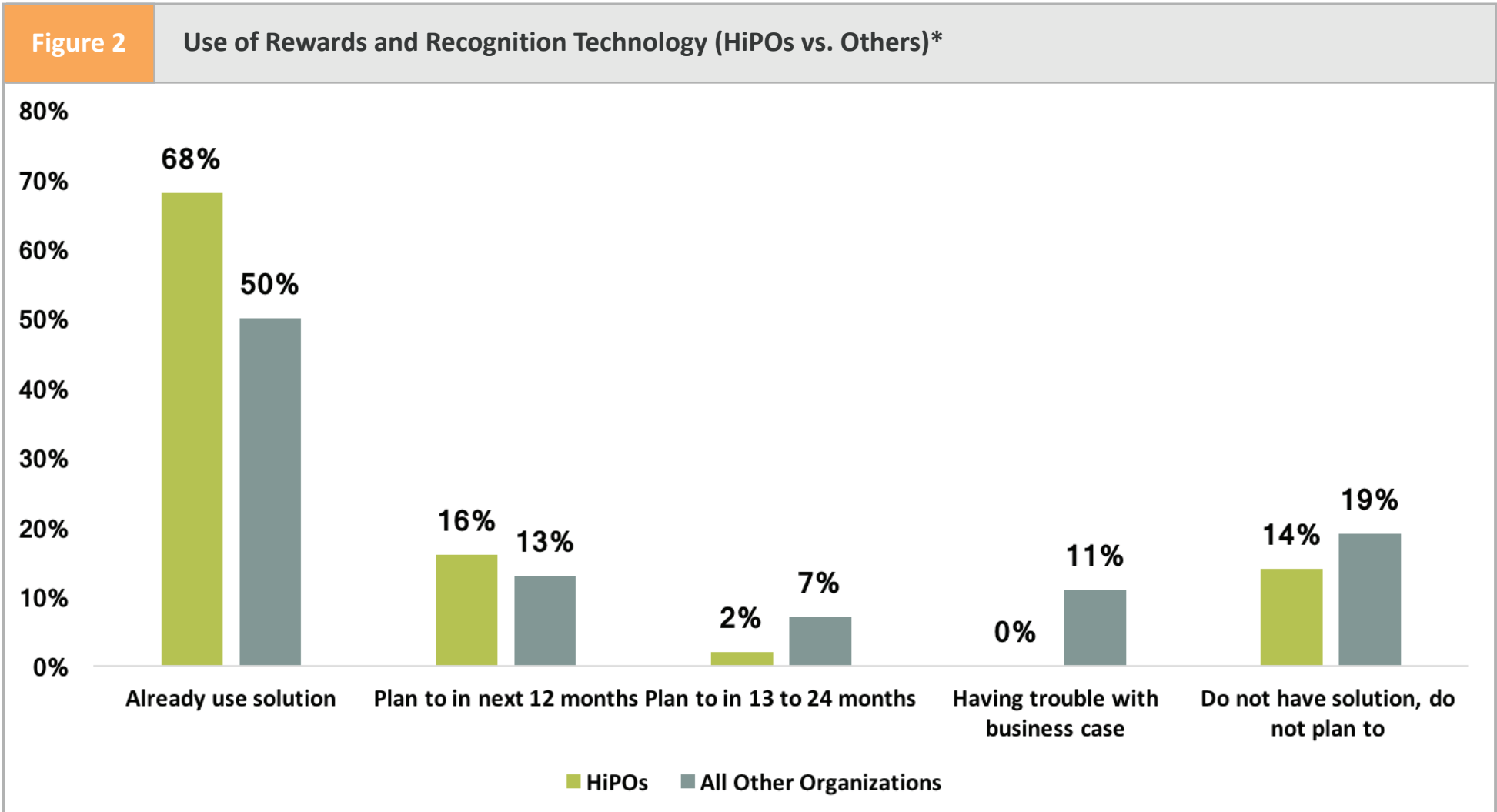
Source: 2017 Brandon Hall Group Rewards and Recognition Study (n=256 total, 56 HiPO, 118 all other organizations)
*In-house and third-party solutions combined

2. Employee Engagement, Appreciation, and Culture Drive Technology Use

The impact that HCM technology is having on employee engagement and culture is now being understood to a greater degree by organizations. Proof of that can be seen by the current and potential adoption of rewards and recognition technology solutions.

The most often-cited reasons organizations implement, or plan to implement, rewards and recognition technology are to improve engagement (78%), show appreciation (77%), and improve or enhance the culture (70%). These results are fairly consistent across the different organizational segments.

Among those organizations not using and not planning to use/develop a rewards and recognition technology solution, the primary reason is budget (44%). Other contributing reasons include lack of leadership buy-in (33%), having too few employees (23%), not being familiar with the technology solutions (21%), and having trouble developing a business case (8%).

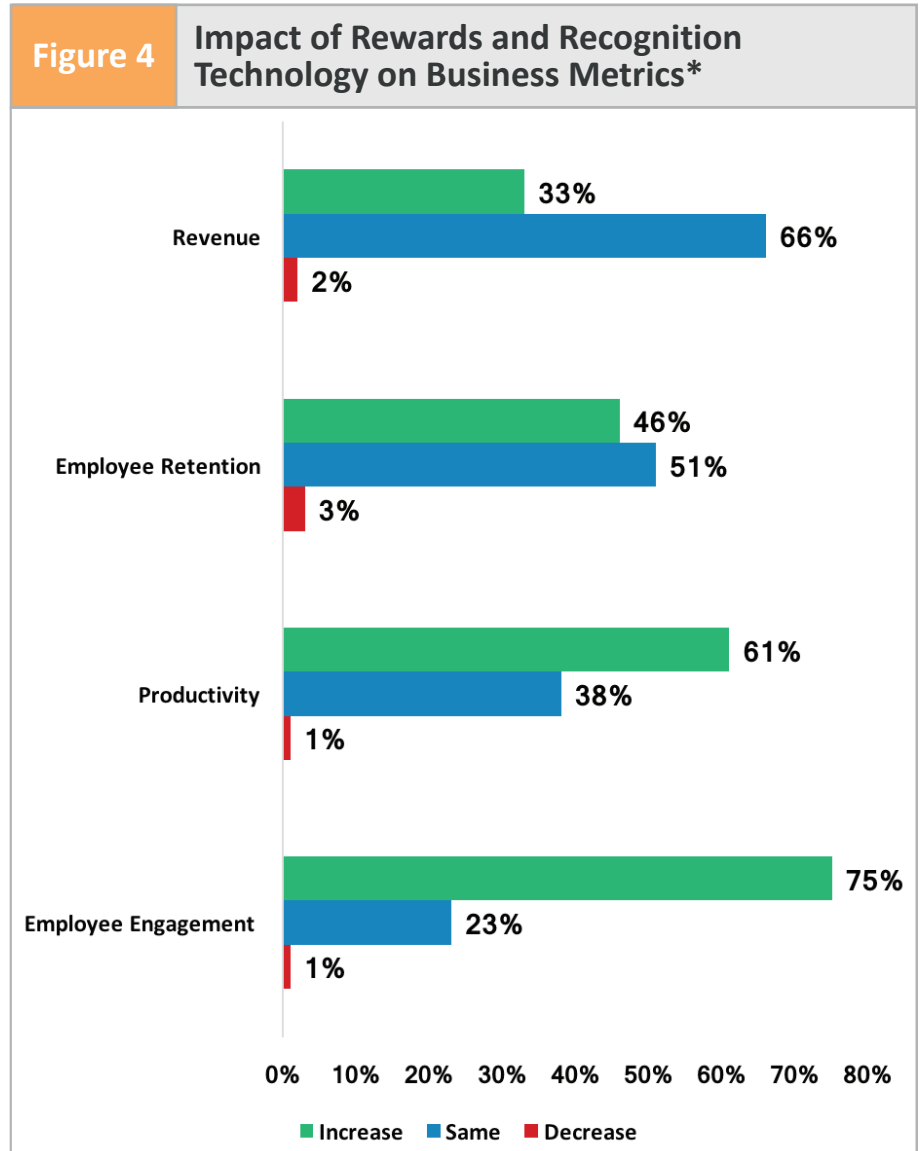| Figure 3	Use of Rewards and Recognition Technology (HiPOs vs. Others)*

Source: 2017 Brandon Hall Group Rewards and Recognition Study (n = 144, 48 HiPO, 96 Other)
*Among Organizations Using or Planning to Use Solution

3. Technology has Strong Positive Impact on Business Metrics

The majority of organizations indicate that since implementation of their rewards and recognition technology solution (either in-house or third-party), they have seen an increase in employee engagement and productivity levels. Nearly half have seen an increase in employee retention, and about a one-third report an increase in revenue. These results are not to say that only a rewards and recognition technology solution caused an increase in business outcomes, but the solution has definitely contributed to the increase in organizational performance.

Interestingly, a substantial percentage of the organizations responding to the survey were unable to answer the business impact question. These "don't knows" were excluded from the calculations in Figure 4. The explanation for this percentage of "don't know" responses could be that many organizations are not really tracking their rewards and recognition efforts, and they are not relating those efforts to their business outcomes.

Figure 4 — **Impact of Rewards and Recognition Technology on Business Metrics***

	Increase	Same	Decrease
Revenue	33%	66%	2%
Employee Retention	46%	51%	3%
Productivity	61%	38%	1%
Employee Engagement	75%	23%	1%

Source: 2017 Brandon Hall Group Rewards and Recognition Study (n=58 to 81)
*Excluding don't know responses (from 30% to 47% of respondents)

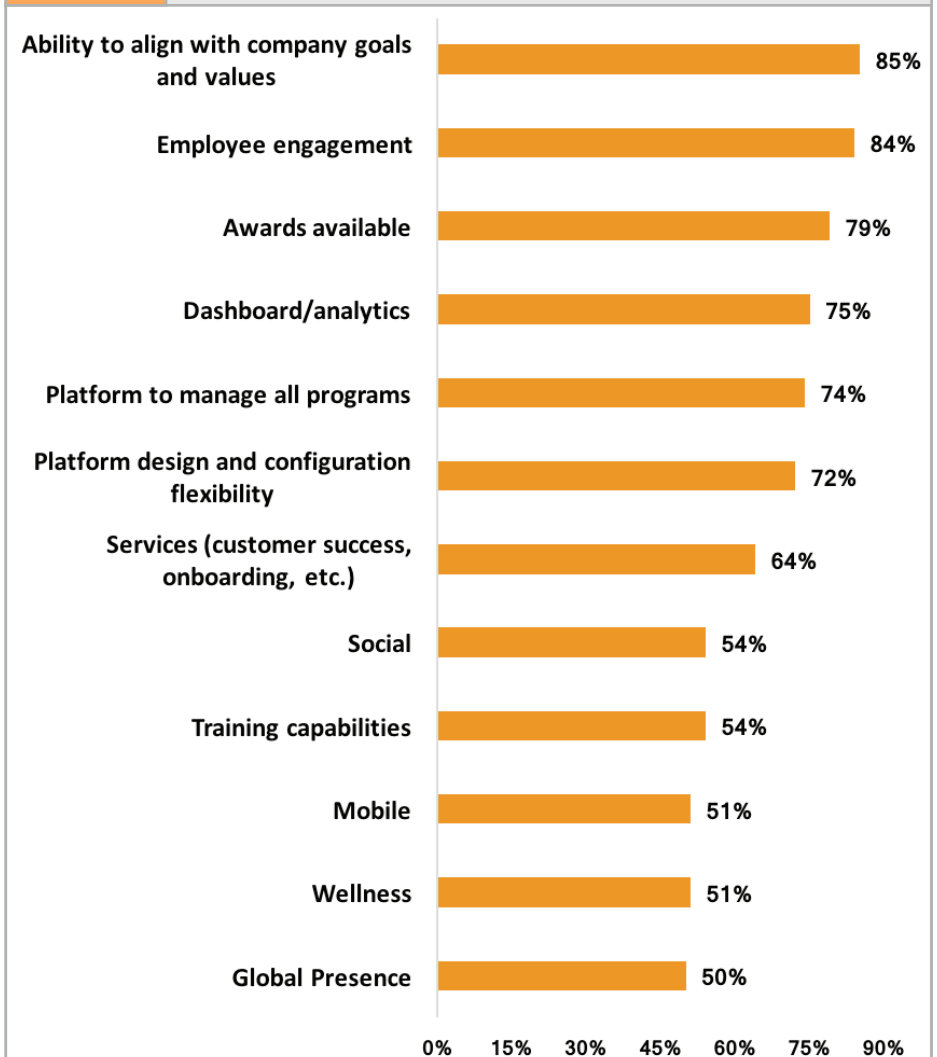# 4. Buyers Want Providers Aligned with Their Goals, Values

When selecting a rewards and recognition technology solution, buying organizations most covet a provider's ability to align with company goals and values, and the ability to focus on employee engagement. More than 70% of organizations also believe these competencies are critical: the types of awards that are available, dashboards and analytics, a platform to manage all programs, and platform design and configuration flexibility.

Organizations of all sizes believe these competencies will help make the business case to purchase the technology and will facilitate the administration and use of the solution.

There were some distinct differences in some priorities based on company size. For example, as expected, a greater percentage of enterprise organizations than small and mid-size organizations believe it's critical/important for the provider to have a global presence (63% vs. 42% small and 50% mid-size). A larger percentage of small organizations than mid-size and enterprise organizations said wellness competencies are important or critical (57% for small organizations vs. 43% enterprise, 46% mid-size).

Figure 5 | **Critical or Essential Provider Competencies**

Competency	%
Ability to align with company goals and values	85%
Employee engagement	84%
Awards available	79%
Dashboard/analytics	75%
Platform to manage all programs	74%
Platform design and configuration flexibility	72%
Services (customer success, onboarding, etc.)	64%
Social	54%
Training capabilities	54%
Mobile	51%
Wellness	51%
Global Presence	50%

Source: 2017 Brandon Hall Group Rewards and Recognition Study (n=175)

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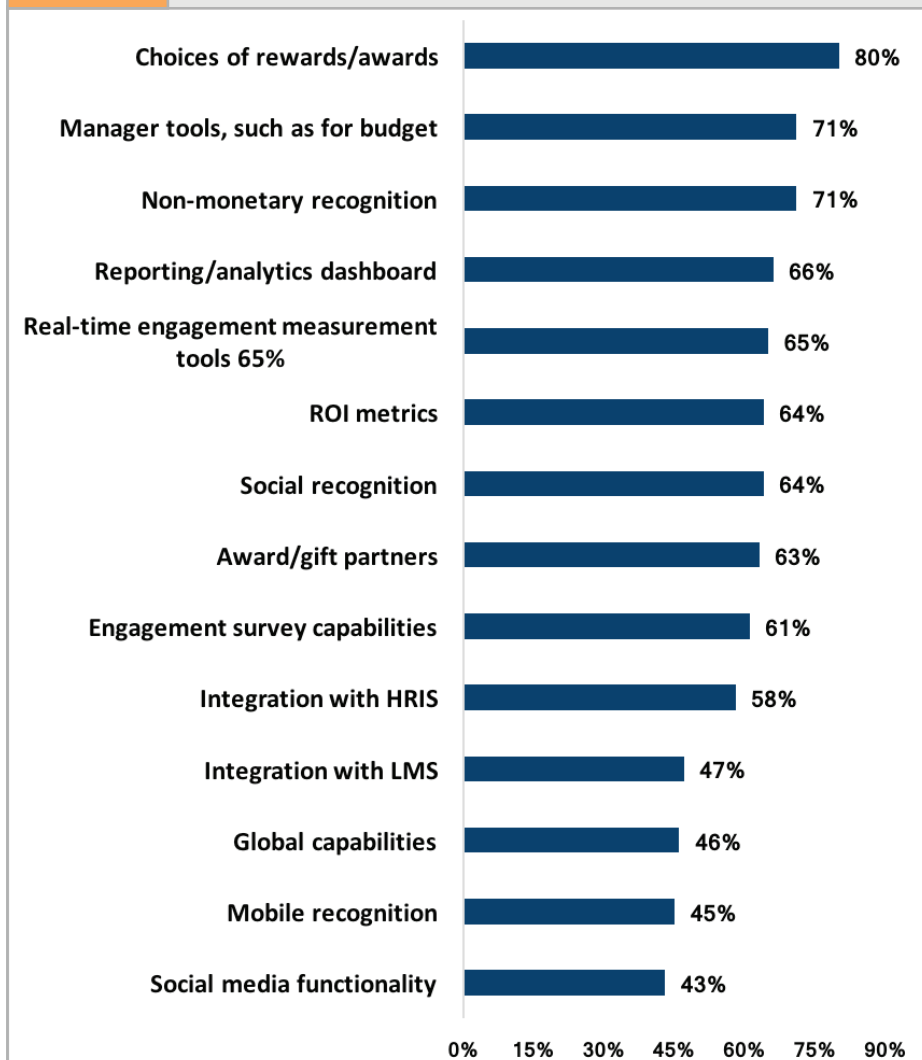
Most Important Technology Features

At least seven in 10 organizations consider these features to be critical or important to their choice of a recognition and rewards solution: choice of rewards/awards, non-monetary recognition, and manager tools such as for budget.

A greater percentage of enterprise organizations said integration with an HRIS is critical or important (68% enterprise vs. 56% mid-size and 53% small). Mid-size organizations are more likely to want manager tools for budget (80% vs. 68% enterprise and 65% small), and social recognition tools (75% mid-size vs. 56% enterprise and 60% small).

5. Monetary Rewards for Performance; Symbolic Awards for Length of Service

There are some differences in the way organizations reward their employees for the length of service and performance. Non-monetary rewards seem to be used by about two-fifths of the organizations for length of service, with the most-cited rewards being symbolic, pins/jewelry, and merchandise. Gift cards are used by two-thirds of organizations to reward individual employees for performance.

Figure 6   Critical or Important Solution Features

Feature	Percent
Choices of rewards/awards	80%
Manager tools, such as for budget	71%
Non-monetary recognition	71%
Reporting/analytics dashboard	66%
Real-time engagement measurement tools	65%
ROI metrics	64%
Social recognition	64%
Award/gift partners	63%
Engagement survey capabilities	61%
Integration with HRIS	58%
Integration with LMS	47%
Global capabilities	46%
Mobile recognition	45%
Social media functionality	43%

Source: 2017 Brandon Hall Group Rewards and Recognition Study (n=205)

A possible explanation for the emphasis on monetary rewards for performance is that it may be easier to motivate performance on a short-term basis to achieve a performance goal with a gift card – which may be more needed and easy to use. Length of service involves a much longer timeframe, and the significance of that time is best expressed with a symbolic award that can evoke the memory of the employment experience and the appreciation for that service.

Figure 7	Types of Rewards Offered for Length of Service and Performance
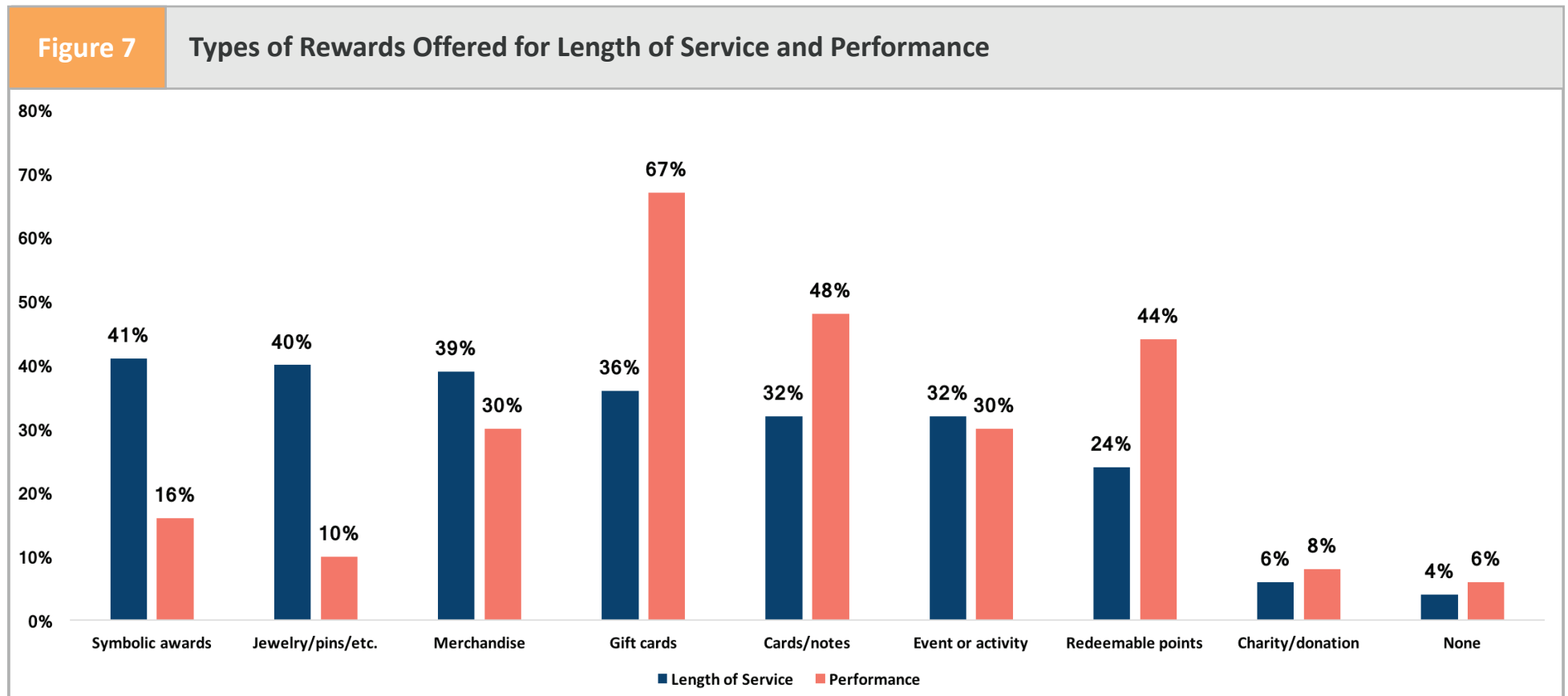
Source: 2017 Brandon Hall Group Rewards and Recognition Study (n=174, length of service; n=166, performance)

Administration

In-person is the manner in which the majority of organizations recognize and/or reward their employees. The second most-selected way to reward employees is at an event.

When considering how to recognize and reward employees, organizations should also take into account employee preferences and their own culture. Some employees may prefer not to be recognized in a group; others appreciate public recognition.

Figure 8	Manner of Administering Recognition and Rewards
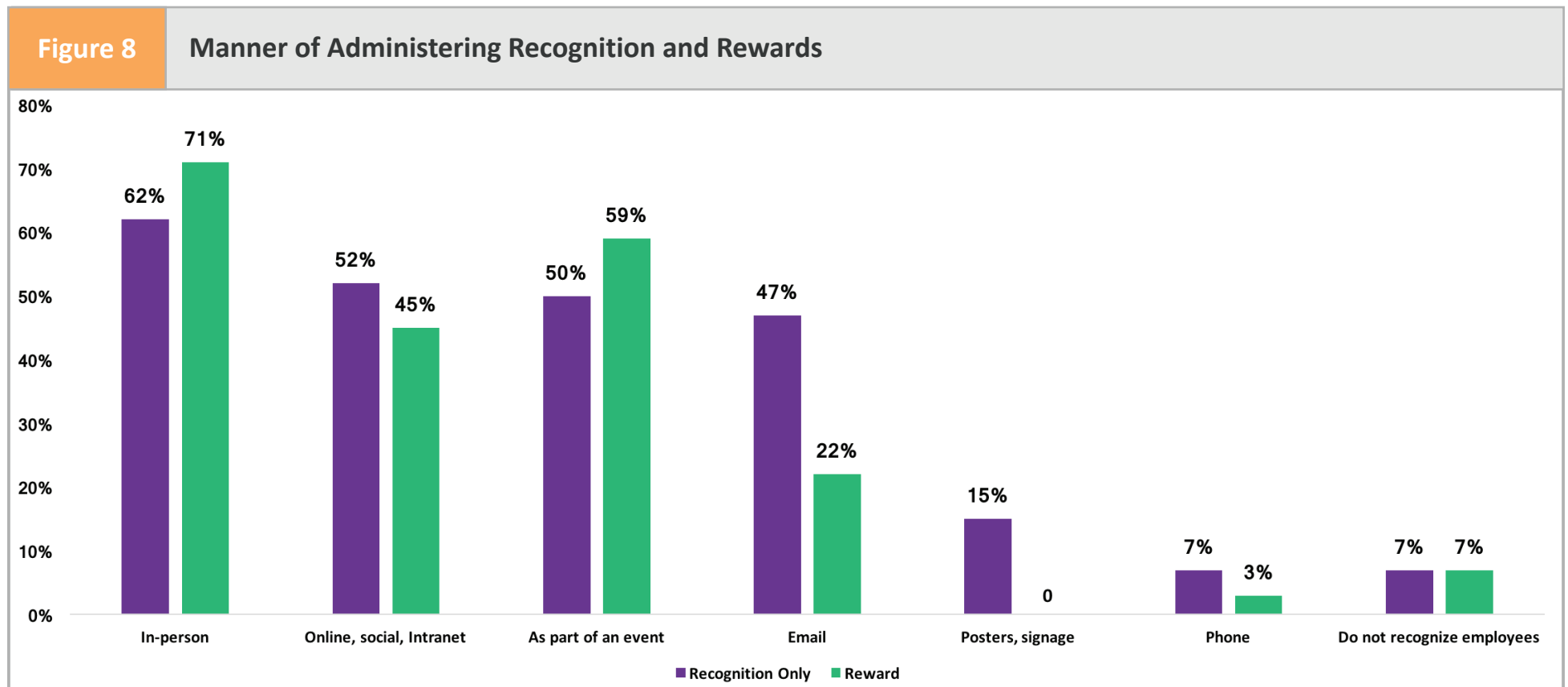
Source: Brandon Hall Group 2017 Rewards and Recognition Study (n=178, recognition; n=179 rewards)

Most Important Metrics

Two-thirds of the organizations responding to our survey consider employee engagement to be the most important metric for measuring the effectiveness of their rewards and recognition solution. About two-fifths also consider return on Investment and employee retention to be important metrics. These results are consistent by organizational size and by performance level (high-performance vs. all other organizations). It makes sense that these three metrics are considered most important because research has shown that they drive business performance.

Figure 9 — **Most Important Metrics for Measuring Technology Effectiveness**

Metric	Percentage
Employee engagement levels	67%
Return on Investment	41%
Employee retention	38%
Participation rate in program	28%
Employee performance levels	23%
Customer satisfaction	19%
Productivity	18%
Organizational performance	15%
Frequency of rewards/recognition	14%
Mix of non-monetary and monetary recognition	11%
Number of rewards and recognition administered	9%

Source: Brandon Hall Group 2017 Rewards and Recognition Study (n=181)

Brandon Hall Group's Research Methodology

Client-Centered Business Goals

Evaluation of Business and Talent Landscape

We study current trends to hypothesize about how they might influence future events and what effect those events is likely to have on your business.

Quantitative Surveys

To test our hypothesis, we gather empirical insights through formal and informal surveys completed by Executives, Chief Human Resources Officers, VPs of Talent and other business leaders as well as HR, Learning and Talent Leaders and employees.

Qualitative Interviews

To check assumptions generated from surveys and to add context to the empirical survey data, we talk to Executives, Chief HR Officers, VPs of Talent and other business leaders as well as HR, Learning and Talent Leaders and employees.

Analytics-Based Reports and Tools

After verifying our position internally, in alignment with scholarly research, and the market and completing rigorous peer reviews, our position is documented and published, made available to our members, in the form of reports, tools and online searchable databases.

Market Testing

We fortify and validate our initial findings, leading practices and high impact processes within the analyst environment, our own Advisory Board and select other clients and prospects that offer fair assessment of the practicality and usability of our findings, practices, and processes. Again we add new perspectives as appropriate before readying the research for publication.

Emergent Trends

After studying and analyzing all collected data, we see and document patterns emerging within high performing companies. We create initial drafts of our findings, leading practices and high impact processes.

Expert Resident Knowledge

Our quantitative and qualitative findings are shared within our internal research community and rapidly debated in peer review sessions to test validity and practicality.

Scholarly Reviews

We study and analyze renowned academic research comparing and contrasting their findings to our own and again engage in rapid debate to ensure our findings and analysis stand the tests of business usability. New perspectives are shaped and added as appropriate.

Brandon Hall Group's 2017 Rewards and Recognition Survey provides an in-depth understanding of organizations' practices and technology solutions used for rewards and recognition. This data comes from a survey of HR, Talent Management, and business leaders and practitioners completed in January 2017. There were 256 total respondents from 25 countries and more than 20 industries.

About Brandon Hall Group

Brandon Hall Group is a HCM research and advisory services firm that provides insights around key performance areas, including Learning and Development, Talent Management, Leadership Development, Talent Acquisition, and HR/Workforce Management.

With more than 10,000 clients globally and 20 years of delivering world-class research and advisory services, Brandon Hall Group is focused on developing research that drives performance in emerging and large organizations, and provides strategic insights for executives and practitioners responsible for growth and business results.

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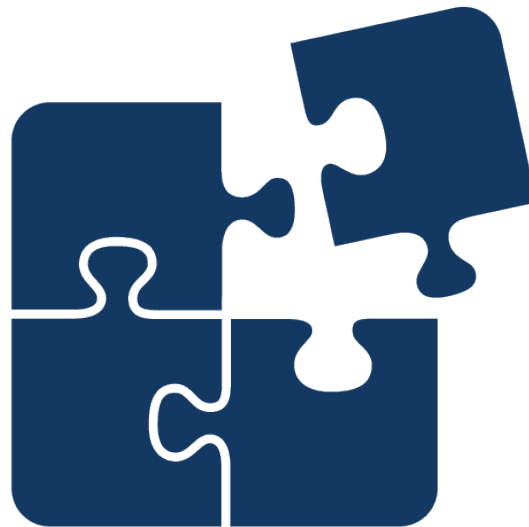- Maturity Model
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