

Driving Employee Engagement with Reward and Recognition



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Introduction

Rewarding and recognising hard work amongst employees is the number one way to improve engagement and give a boost to all areas of an organisation including process, output and bottom line.

Research shows implementing a formal gift program is the most effective approach, which helps reshape culture and working relationships, offers the best value for money and can be used to align the workforce with specific goals or behaviours.

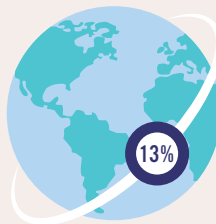
There are a number of ways to deliver a Reward & Recognition program – at Simply Thank You our experts design systems around your engagement strategy – this paper provides a ‘best practice’ approach for building a program to improve the dedication of teams.

State of Engagement



Only **1 in 3** people is engaged at work

Only **13%** of employees worldwide are engaged



FIFTY
BILLION
Pounds

If active disengagement was eliminated the UK economy would be **£50** billion better off

Why Engagement Matters

An engaged employee is one who is actively involved in their work in the sense that they care about outcomes, make a concerted effort to achieve and are driven by their own volition to perform at the highest level, so to drive employee engagement is to drive success.

When the majority of the workforce is making this type of discretionary effort, investing energy and taking the initiative, organisations can achieve, and benefit from, overall employee engagement.

Engagement levels are closely linked to company culture. Most employees who care deeply about their job and the success of the organisation are emotionally invested and enthusiastic; they see themselves as a valuable member of the team and feel fulfilled to some extent by their role.

Employees who are successfully engaged are more valuable overall to the organisations in which they work, because engagement is characterised by vigour, which sees high energy and persistence on the job; dedication, which refers to pride and enthusiasm; and absorption, which makes people

fully concentrated on their work, sometimes even out of hours.

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Employees who are successfully engaged are more valuable to their organisation

It's important to note that engagement is not the same as happiness or success - it's more of an overall satisfaction and inherent dedication to an organisation, its principles and its objectives. For this reason, engaged employees are statistically more likely to be loyal, to stay longer, be more productive and innovative, hold better safety records and even live healthier lives.

Employee Engagement as a Revenue Driver

By assuming company values, engaged employees are motivated to make a level of effort that people only give when they really want to: Discretionary Effort.

So how does that effort benefit overall earnings? There are multiple advantages for a company that engages its workforce.

When staff are going over and above targets, they're doing so in the knowledge that their efforts are productive, with **84%** of highly engaged employees believing that they positively impact the quality of their organisation's products. People want to be productive; we choose to work, and most of us choose to work hard because it gives us a sense of satisfaction and purpose.

Those engaged staff aren't just benefitting internal activities, either. **72%** of engaged employees believe they positively affect customer experience, and this is a key point in the Engagement Profit Chain. Engaged employees care about the service they provide, make it their

business to provide helpful information, and create meaningful experiences for the customer.

In turn customers are more satisfied, more loyal, and depend on the company longer. They become true brand advocates. Research shows that a totally satisfied customer contributes **2.6** times more revenue than a somewhat satisfied customer.

41% of customers are loyal to a brand because they experience good employee attitude, and this phenomenon of customer retention is a powerful result of employee engagement; just a **5%** reduction in customer defection can increase profits up to **95%**, while a **10%** increase in retention can increase company value by **30%**.

Employee Engagement as a Revenue Driver

Increased profit won't just come from customer sales and retention.



Companies using incentive programs to engage with their employees experience a better success rate in achieving established goals, which in turn will lead to long term savings.

A recent study shows that engaged employees are **87%** less likely to leave their companies, saving on the cost of advertising, hiring and training for new recruits, and an engaged workforce can even save its employer outlay on the impacts of safety incidents. Engaged staff are seven times less likely to have a lost-time safety incident than their disengaged counterparts.

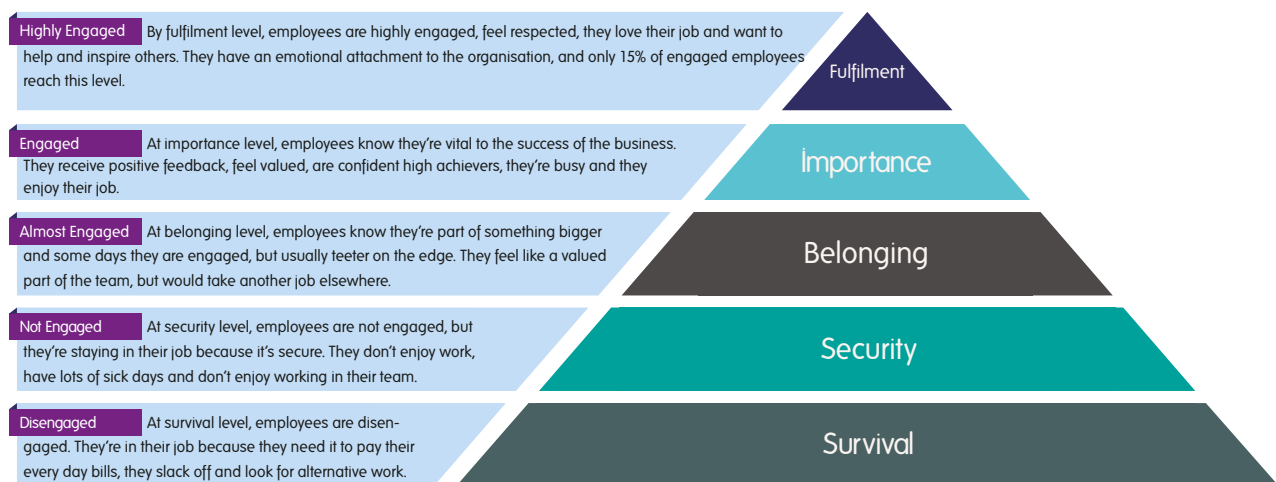
The higher the engagement levels, the more benefits reaped. In most companies

though, the overall advantage of a highly engaged workforce is most obviously reflected by the Total Shareholder Return (TSR). It stands at an average **24.2%** in companies where **60-70%** of employees are engaged. In fact, a recent study indicates that organisations with highly engaged employees achieve **7 times** greater TSR over a **5 year** period than organisations with a less engaged workforce.

To sum up the importance of engagement, a recent Gallup study found that companies with engaged employees outperform their competitors by as much as **202%**.

Maslow's Hierarchy of Needs

Employee engagement can be likened to psychologist Abraham Maslow's theory of human motivation, which identifies human emotional states related to needs which are met. The more needs met, the more satisfied we are.



Derived from Maslow's theory is a hierarchy of emotional fulfilment, relevant to levels of engagement as illustrated below; the more needs met, the more engaged employees are.

Employees who are disengaged do just enough to get by, and those who do just enough to get by are disengaged. As engagement levels increase, so too do satisfaction levels; it can be argued that one can influence the other.

When people are satisfied at work, it's more likely that their engagement levels are higher. Emotional motivators can enable higher engagement levels, and vice versa, so tapping into emotions is the key to success.

Drivers of Engagement: Emotional

Emotions are a powerful motivator and as found by Lawrence and Nohria in their book *Driven: How Human Nature Shapes Our Choices*, there are 4 basic emotional drivers which underlie everything we do:

- Acquire (to obtain goods, including intangibles like social status)
- Bond (to form connections with groups and individuals)
- Comprehend (to master the world around us)
- Defend (protect against external threats)

Our needs at work aren't as basic as they appear in Maslow's hierarchy or the list above, but they are based in the same principles. Getting engagement right can fulfil the needs created by emotional drivers: the need to have desirable objects, the need to do good work, be praised, and form part of a group.

A study of three hundred Fortune 500 companies found that an organisation's ability to meet the four fundamental drives influences motivation:

- Fulfilling the drive to bond has the greatest effect on employee commitment
- Fulfilling the drive to comprehend is most closely linked with employee engagement

But motivational scores are improved overall when all four drives are satisfied simultaneously, and if one drive is to be diminished, so are the other three. These needs are satisfied most effectively as a set and this approach will lead to the biggest strides in increasing motivation.

The degree to which the drivers are satisfied directly affects emotions, and by extension behaviour, placing the root of employee engagement, and therefore satisfaction, firmly in the emotional. Actions which make a person feel they've

fulfilled these drives, for example a gift that celebrates their achievement at work, are likely to reach them on an emotional level and make an impact.

With a recognition program, it's possible to build an emotional connection that meets individuals' needs to drive engagement levels and success, ultimately leading to improved productivity, profit and growth.

Drivers of Engagement: Human

According to Quantum Workplace's Engagement Trends report, in order to feel engaged employees have to believe in their leaders. Namely, they have to believe that leaders:

- Are committed to making the organisation a great place to work
- Value people as their most important resource
- Make investments to make employees more successful

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The number one factor to influence employee commitment is the manager-employee relationship

Manager engagement is vital to the success of a recognition program in order to add consistency, feedback and innovation, and ensure its delivery results in maximum take up and usage – both among other managers and the workforce.

Some studies indicate that employee engagement in the workplace is a local phenomenon which relies upon managerial talent, and conditions created by that manager. Upfront training and a collaborative effort to evolve the program are effective ways to secure dedication, and indeed engagement, at a managerial level.

In fact, the number one factor to influence employee commitment is the manager-

employee relationship, since the manager creates the connection between employee and organisation.

According to a Gallup study, supervisors play a critical role in both wellbeing and engagement, so creating a culture in which managers are encouraged to take opportunities to praise and support their workforce will help foster engagement overall. 64% of people put trust between employees and management in their top 5 work satisfaction factors, calling for top down transparency and day to day strengthening of the relationship by forthcoming managers.

Managers concerned with engagement are likely to look for opportunities to reward staff, leverage respective talents, set examples for great performance, and help new recruits fit into the team by illustrating behavioural expectations on the job – the most straightforward ways to build and maintain healthy relationships with staff at all levels.

To do so is to improve the satisfaction of direct reports and promote employee engagement team by team, which is most effectively achieved with a recognition program.

Influencing Engagement with a Recognition Program

Recognition influences employee performance by aligning individuals with company values, building a culture of doing the right thing, and creating a positive emotional connection between employer and employee.

How? By highlighting and rewarding the behaviours we wish to see repeated.

Rewarding specific results and behaviours positively reinforces those actions, leading to business development: receiving a gift or prize for a great performance has the power to reach and motivate different personalities; it inspires future achievement, ignites competition and builds loyalty by creating the hormone Oxytocin, which was recently proved to make people perform better and even be more trustworthy at work.

There's also the Reciprocity Theory to take into account; the psychological phenomenon whereby those receiving a gift are unconsciously motivated to do something for the giver in return. In the case of employee engagement, the reciprocity is a good performance for the organisation that rewards them.

Where managers are trained to meet operational needs, and empowered to meet recognition needs, engagement is bound for positive influence.



66% of employees base their decision to stay at a company partly on the incentives offered

38% say lack of recognition is their biggest hindrance at work

38%



Engaged employees are **4 times** more likely to say they enjoy what they do each day

What Difference Does a Recognition Program Make?

94% of the world's most admired companies say their efforts to engage employees have given them the competitive advantage.

Achievements of Organisations with Strategic Recognition Programs

- Employee turnover is **24%** lower on average
- **79%** success rate in achieving established goals
- Average total shareholder return is **24%** higher where **60-70%** of employees are engaged
- Staff frustration levels are **28%** lower than workplaces where no one is recognised

Employee Response to Strategic Recognition Programs

- **55%** strongly agree the quality of the scheme impacts on their job performance
- **85%** who feel meaningfully recognised go above formal responsibilities
- **84%** believe they can positively impact product quality
- Engagement increased by **60%**
- Identify **98%** more strongly with organisation values

What Difference Does a Recognition Program Make?

Aside from the examples above, studies show that organisation prosperity is determined by human resources and how they're treated, and that employee commitment is based on rewards and recognition, making it an important part of successful performance.

A company that manages people and relationships with formal recognition keeps employees motivated and satisfied in a way which can be evaluated and developed.

As far back as 1987, a study by Entwhistle showed that when an employee performs successfully, it

leads to organisational rewards – and investigations show that the level of motivation involved is directly related to outcome.

A study conducted by Ali and Ahmed in 2009 confirmed that there is a statistically significant, direct and positive relationship between recognition and work satisfaction and motivation ($r = 0.86$, $p < 0.01$), meaning if an approach to recognition were to change, there would be a correlating change in work motivation and satisfaction. Improvements in recognition structure influence improved engagement.

While recognition itself directly affects engagement, a formal program also affords other benefits:

- Quicker identification of high and low performers
- Set and monitored budget
- Companywide fairness in reward
- Increased loyalty
- Reduced turnover
- Improved employee morale
- Improved Employee Value Proposition for potential hires

Getting Delivery Right

Strong take up of a rewards program is more likely to lead to robust engagement levels and therefore a better performance overall, leading to customer retention and long term growth – so maximising usage with successful delivery is paramount.

Where the goal is to improve employee engagement the program must of course be engaging for its users by giving them what they want. We know that three quarters of people choose to shop online, and more than 80% of people use a smart phone. People, in general, access the internet every day using multiple tools, so making reward and recognition readily available on every digital platform – desktop, tablet, mobile phone - means full exposure to rewarding managers and recognised employees at work,

at home and on the go, increasing overall usage.

In this instance, employees are the reward program customer, and customers now prefer a self-serve website arrangement with an offline option and customer service on hand when they need it.

A rewards program built around a specific set of employee expectations means they'll be invested.

What else do employees want from their rewards program?

According to research, employees want a reward system to:

- Clearly indicate the behaviours rewarded and why
- Be fair: afford equal rewards for equal achievement and be available to everyone working in the same role
- Be accessible: available online and on mobile (offline if necessary), be easy to use and understand, reached by remote workers
- Give frequent rewards, but with a purpose: for achieving suitably challenging outcomes, performing above standard, and so on
- Is embraced by management, who take the lead in ensuring its companywide take up and regular usage
- Fits with existing culture: coherent branding, immersed into Employee Value Proposition and communicated companywide

A short survey prior to build can identify specific drivers for engagement, and the program can be designed to appeal accordingly.

The Right Rewards: Gifts and Gift Cards Over Cash

While delivery plays a huge part in the success of a recognition program, so do the rewards themselves – and cash rewards are not the solution to employee recognition.

In a study of gift exchange in the workplace, it was found that a gift in kind results in a significant and substantial increase in productivity, while an equivalent cash gift is largely ineffective.

An increase in fixed wages had no significant impact on worker productivity, but a gift – even when its monetary value is communicated – results in 30% more output on average.

An additional experiment showed that workers would favour the cash equivalent if given the choice, even though it was less effective - the reason being that gifts are a signal of kind intentions, and therefore a superior psychological mechanism for gifting relations, considered to be more thoughtful and to more credibly reflect regard. Despite being the gift employees would choose, it is less effective in improving engagement.

There are other benefits to non-cash

rewards. A tangible gift is a 'true' gift; a personal and specific gesture (often a keepsake) which can be shared with family or shown off to colleagues, a power cash generally doesn't have.

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Recognition with a gift
results in 30% more
output on average

Similarly, gift card and points recognition have a communicable value which is more likely than cash to be openly discussed in the workplace, doesn't disappear into the daily budget and therefore results in a memorable, and emotionally valuable, spending experience.

The importance of memory and shared discussion cannot be underestimated in creating a powerful recognition program in which people want to take part.

Getting Started

An effective reward program to improve employee engagement won't come off the shelf, but should be crafted to strike a chord with managers and employees at all levels by reflecting what your organisation stands for, addressing what employees need and nurturing emotional connections forged by managerial staff.

A reward and recognition program is more than a way to show staff what good looks like – it's also the shaping of a culture where people are thanked and respected for their contributions, and begin to associate achievement with satisfaction. This, and the emotional connection, is paramount in improving employee engagement, and reaching emotional triggers is deeply rooted in considering and addressing needs; design a program around what employees say will engage them.

To create opportunities for management-employee relationships to be improved, inspire success and make reward available anywhere at any time, begin with a Simply Thank You program.

Getting started with your reward and recognition program is not as complicated as it first seems. Bespoke programs from Simply Thank You are designed for user flexibility and to gather specific information as directed by management.

When it comes to getting started with your Simply Thank You program, begin with the end in mind: what will employee engagement look like at your organisation, what behaviours will it preserve, what cultural changes will it produce? Specific goals at design stage allow your bespoke program to gather the specific information that allows it to continue working into the future.

Getting Started

To design a program that fits and shapes company culture, research and pilot a scheme that gathers the information you need to build the perfect bespoke program with Simply Thank You.



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