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workhuman*



Empowering Workplace Culture Through Recognition

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Introduction

An organisation is only as strong as its work culture. In fact, 84% of the value of an S&P 500 company comes from the talents, skills, knowledge, work ethic and health of its employees.¹ But, as daily stress remains at a record high and a majority of the world's workers are not engaged, companies must ask themselves: What can be done to foster a strong culture of connection and engagement?

It starts by investing in people.

To assemble and energise the workforce of the future, organisations must prioritise the “human element” of their business, recognising that productivity and efficiency come when employees are engaged, inspired and connected to their coworkers. And one of the best ways to do that is to recognise employees for who they are and what they do.

Every organisation is unique. The culture that spurs one organisation toward future success in alignment with its mission may look much different from another organisation's ideal way of working. Fortunately, strategic recognition can be a flexible and potent tool to shape and reinforce workplace culture in any organisation. In fact, when employees strongly agree that recognition is an important part of their organisation's culture, they are 3.8 times as likely to strongly agree that they feel connected to their culture.

Recognition not only helps to build strong company cultures, it also makes good business sense. In Gallup and Workhuman's From Praise to Profits report, it is estimated that if the median organisation in Gallup's database doubled the number of employees who strongly agreed that they received recognition or praise for doing good work in the last seven days, they would see a 9% increase in productivity. For the average organisation with 10,000 employees, that productivity gain would amount to a \$91,989,474 increase in employee output.²

Despite the importance of culture to an organisation, a clear understanding of culture is often veiled by varying interpretations. This makes defining workplace culture difficult and changing it even harder. In this report, Gallup and Workhuman define what workplace culture is, why it matters and how recognition can be leveraged to build it. The report explores how recognition can vitalise an organisation's culture and generate engagement; it also offers four practical steps an organisation can take to realise these benefits.

The bottom line is when organisations understand and activate the power of strategic recognition, they cultivate strong cultures that unite their employees and drive them to achieve the organisation's mission.

1 Robison, J. (2021, May 11). Every Company Has Human Capital -- Not Every Company Develops It. Gallup.com. Retrieved August 28, 2023, from <https://www.gallup.com/cliftonstrengths/en/348860/every-company-human-capital-not-every-company-develops.aspx#:~:text=Human%20capital%20is%20serious%20capital,even%20the%20health%20of%20employees>

2 Productivity value per-employee was calculated using average salary and labor share estimates from the BLS. Results assume that per-employee productivity value to an organisation is a ratio between average salary of an employee (\$58,260 across all occupations in 2021) and U.S. labor share (57% in 2022).

What Workplace Culture Is and Why It Matters

Defining Workplace Culture

Workplace culture is inherently complex and often eludes a singular definition. Depending on whom you ask, you are likely to hear workplace culture described as a system of various forces at play within an organisation or in terms that describe its primary characteristics i.e., “family,” “agile” or “performance-based.”

Gallup conceptualises workplace culture simply as “how we do things around here.” And, more specifically, it is a function of how people within the organisation interact with one another and how they get their work done. An organisation’s culture clarifies what its employees, as well as its customers, can expect when they interact with one another.

While the effects of a workplace culture can certainly be good or bad, the construct of culture itself and its components are neutral; not inherently right or wrong. And its quality is not determined by comparing them to some neat archetype that is common across all organisations. The optimal culture is unique to every organisation and should reflect its past and present along with its goals and vision for the future. Strong cultures emerge when there is cohesion and unity in how individuals do things in an organisation. Furthermore, the best cultures align how people do things with what will best help an organisation to engage its employees, achieve its goals and accomplish its mission.



Why Workplace Culture Matters

The world of work has shifted. Employees have found and embraced new ways of completing their work and have adjusted their expectations in alignment with these changes. Employers and employees remain in a push-pull relationship regarding remote work and the market for top talent continues to be competitive. Organisations that once enjoyed thriving, ubiquitous cultures may now find them segmented and eroded if they have failed to keep pace with these workplace changes.³

In this new playing field, leaders need to forge and leverage a culture that attracts talented employees to their organisation and engages them in driving it forward. Most organisations are failing to do so. Just two in 10 U.S. employees strongly agree they are connected to their organisation's culture.⁴

The way employees experience their organisation's day-to-day culture matters. When a workplace culture is *broken*, people feel it. They talk about it, too.

In a recent Workforce survey, employed members of the Gallup Panel were asked to describe their work culture in three short words or phrases. Engaged employees were more likely to use words such as "caring," "innovative" and "inclusive" whereas actively disengaged employees were more likely to use words such as "toxic," "disorganised" and "chaotic."

Top words U.S. employees use to describe the culture of their workplace

Engaged Employees

Caring | Friendly | Fun | Integrity
Innovative | Inclusive | Service
Quality | Professional

Actively Disengaged Employees

Toxic | Disorganised | Money
Unorganised | Stressful | Profit
Horrible | Chaotic | Fast-Paced

When organisations don't have a clear purpose or culture that unites their employees, it can feel like the only reason work is done is to make money. While "money" and "profit" are essential to the success of an organisation, focusing disproportionately on financial outcomes and neglecting the journey to achieve them can cast an organisation adrift without an identity. Disengagement rises, and organisations may soon find themselves with a "horrible" culture that cripples morale and performance.

Instead, when organisations rally employees around their purpose and values, they find their employees become passionate brand advocates who stay longer and drive results. The way engaged employees describe their culture also illustrates how they are uplifted by their day-to-day experiences ("fun," "caring," "inclusive") and the type of work they produce ("innovative," "quality," "professional").

3 Gallup. (n.d.). Organizational Culture. Gallup.com. Retrieved August 11, 2023, from <https://www.gallup.com/471521/indicator-organizational-culture.aspx>

4 Ibid.

A Connection to Culture Drives Professional and Personal Results

Those who strongly agree with "I feel connected to my organisation's culture" are:

3.7x

AS LIKELY

to be engaged at work

5.2x

AS LIKELY

to strongly agree they would recommend their organisation as a great place to work

68%

LESS LIKELY

to feel burned out at work very often or always

55%

LESS LIKELY

to be watching for job opportunities or actively looking for another job

Culture is the soul of an organisation. Organisations accelerate toward their goals when they define and reinforce the values and causes that motivate employees to give their best every day. In this way, a strong culture acts both as a catalyst to generate engagement and as a road map to channel that engagement in a way that best serves an organisation's goals and mission.

Having established what culture is and why it matters for an organisation's bottom line, this report will highlight recognition as one of the strongest forces for building and maintaining culture and engaging employees.



Recognition Builds Workplace Culture and Engages Employees

Recognition Clarifies and Amplifies Workplace Culture

Recognition stands uniquely as an element of culture in and of itself, while also wielding the power and flexibility to bolster other elements of how work gets done.

Through positive reinforcement, recognition spotlights the behaviours that best exemplify the culture an organisation is aspiring to and motivates employees to model those behaviours more often. When leaders practice recognition and emphasise its importance, it sparks a chain reaction. Leaders signal to employees, and soon employees signal to one another, what's important to them by expressing recognition, gratitude and appreciation for the things they want to see more of in their organisation.

The impact of recognition in culture-building is clear:

Among employees who strongly agree that recognition is an important part of their culture, **seven in 10 strongly** agree that they feel connected to their organisation's culture.

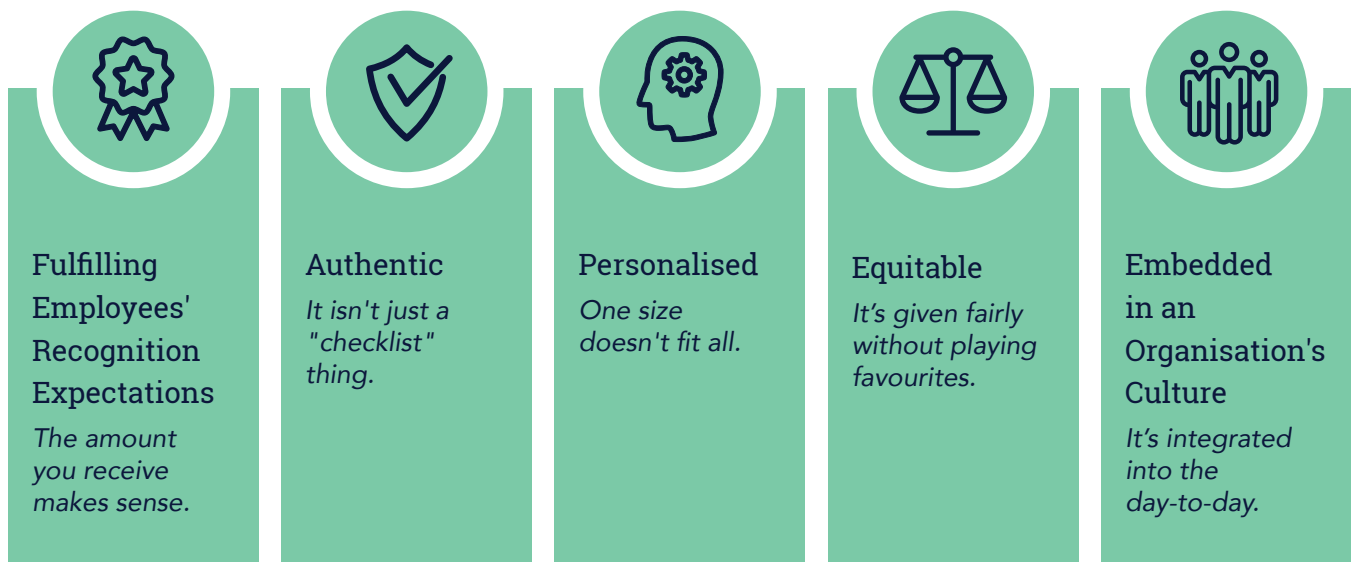


Recognition can be targeted to promote the desired cultural elements of any given organisation. It can also be adjusted and fine-tuned over time to adapt to changing workplace demands. Recognition is a consistent, direct tool for leaders to communicate their cultural goals and expectations. It is essential in helping employees develop a robust connection to their workplace culture. It also helps create unity not just in stated values, but in the way work gets done across an organisation.

Strategic Recognition Generates Employee Engagement

The value of using recognition to link employees to their organisation's culture can be easily observed through the relationship between consistent, quality recognition and employee engagement. Recognition doesn't just feel good — it powers thriving employees and thriving organisations. Employees who strongly agree that recognition is an important part of their organisation's culture are 3.7 times as likely to be engaged and about half as likely to experience frequent burnout than those who do not.

In past research, Gallup and Workhuman identified five essential pillars of strategic recognition. The research shows that recognition is most effective when it is fulfilling, authentic, personalised, equitable and embedded in company culture.



When leaders practice recognition that is perceived as excellent across each of the five pillars of strategic recognition (what Gallup and Workhuman define as “great recognition”), employees become energised and buy into how people interact with one another and how work gets done within their organisation. Specifically, the research shows that employees who receive great recognition are **20 times as likely to be engaged as employees who receive poor recognition.** (“Poor recognition” being the worst recognition experiences across all the pillars.)

By promoting great recognition, organisations can create strong, embedded cultures and tap into the sweeping benefits of an engaged workforce. Gallup's extensive research on employee engagement has consistently confirmed the relationship between engagement and key business metrics, including customer loyalty, profitability, productivity, turnover and safety.⁵

⁵ Gallup. (2023, January 7). The Benefits of Employee Engagement. Gallup.com. Retrieved August 11, 2023, from <https://www.gallup.com/workplace/236927/employee-engagement-drives-growth.aspx>

Practical Steps to Transform Your Culture Through Recognition

For recognition to transform company culture and generate employee engagement, it not only needs to be given strategically but extensively — it needs to touch each individual at an organisation. Yet only 34% of employees say that their employer has a recognition program. And while having a recognition program can catalyse more frequent giving and receiving of recognition, simply having a program isn't enough: Just 13% of employees with a recognition program rate it as excellent. This may not be for a lack of trying — 70% of employees believe that their leaders care about their recognition program.

There is a widespread lack of synergy between how leaders implement recognition programs and how employees experience them. Great recognition programs become successful not just through leadership buy-in, but through clear goal setting and intentionally aligning culture, values and recognition with the organisation's business strategy. When this calibration is achieved, an organisation lives and breathes its culture and values, and employees experience them in a way that is palpable.

The details matter too. If an organisation is driving toward a culture of innovation, it will be crucial to recognise all aspects of the creative process, not just those moments when successful innovation is achieved. For instance, an employee who fails but learns from trying out something new should be recognised too.

Among employees who have great recognition experiences, **72%** say that performance for little things is **commonly recognised** at their organisation, compared with **16%** of employees with **poor recognition experiences**.



Employees at organisations with a great recognition program receive and give recognition that is authentic, meaningful and tells a clear story about the organisation's values. Recognition is infused into the identity of these organisations and is embraced at all levels.

To maximise the impact of recognition in your organisation, here are four practical steps to transform your culture or protect the culture you have already built:



Establish your workplace culture goals and values in alignment with business strategy.⁶



Use recognition to reflect your workplace culture goals and values.



Continuously evaluate and refine your recognition strategy.



Promote quality recognition across your organisation so your culture can flourish.



⁶ Herway, J. (2021, May 21). To Get Your People's Best Performance, Start With Purpose. Gallup.com. Retrieved August 28, 2023, from <https://www.gallup.com/workplace/350060/people-best-performance-start-purpose.aspx>



Establish Your Workplace Culture Goals and Values in Alignment With Business Strategy

The first step in transforming your culture should always be to define the culture you're striving toward. While your organisation's mission statement and long-term goals may help to describe *what* your organisation does and *why*, your culture determines *how* it's done.⁷

While some elements of culture, such as integrity, may be a desirable target for most organisations, the rest need to be informed by what will bring you closest to your company's unique goals. Though the mission of their work may overlap, the culture that will drive an established multinational, multi-billion-dollar pharmaceutical company will look different than the culture that empowers an innovative startup in the same industry.

In shaping the culture that will propel your organisation toward its future goals, it is also important to consider the past and present state of your organisation and its people. Identify what aspects of your culture have helped fuel your organisation's success so far and what has held it back. Make note of your organisation's historical identity and the strength of its influence. It's crucial to pinpoint what causes your employees are likely to rally around and what might be rejected. Your employees' and customers' expectations can help inform what will activate the employees in your organisation.

The process of establishing your workplace culture goals extends beyond identifying overarching values to adhere to. You will also need to define the daily behaviours, rituals and routines that will best support your business strategy. For example: How do employees stay in touch and communicate throughout the day? How are decisions made? How are anniversaries at work celebrated? How close are employees across departments and levels of leadership? And today's most pressing question — *where* do employees work?⁸

Fully realising your ideal culture takes time and intentional effort. Your culture also needs to be actively managed. The best leaders have their finger on the pulse of their organisation to identify and adjust aspects of their culture that do not or no longer work. While consistency over time in your cultural goals will foster cohesion, this must be balanced with the knowledge that the aspects of culture that engage employees and drive your organisation today may also change over time.

7 Musser, C. (2019, September 9). One Employee Question That Leaders Can't Afford to Ignore. Gallup.com. Retrieved August 11, 2023, from <https://www.gallup.com/workplace/267014/one-employee-question-leaders-afford-ignore.aspx>.

8 Gandhi, V. (2023, January 10). Hybrid Work: What's Best for Your Employees and Your Business? Gallup.com. Retrieved August 11, 2023, from <https://www.gallup.com/workplace/467399/hybrid-work-best-employees-business.aspx>



Use Recognition to Reflect Your Workplace Culture Goals and Values

Once you have established the culture that you want to create, it is essential that you clearly communicate it throughout the organisation and generate buy-in. Recognition bridges the goals for your culture from being ideals to becoming tangible behaviours.

Recognition models and positively reinforces how your ideal culture will manifest in employees' day-to-day lives. Simply stating a value or other element of culture but doing nothing to reinforce it can lead to feelings of ambiguity or disinterest among employees. Instead, when you recognise employees for behaviours that exemplify the culture your organisation aspires to, they gain insight into what is expected of them and are more likely to engage in similar behaviours in the future.

Employees who say their recognition program is aligned with the values of their organisation are **4.9 times** as likely to strongly agree that they know what is expected of them at work compared with employees who indicate their recognition program is not aligned with the values of their organisation.

Recognition also taps into and makes use of employees' ability to learn socially. When you publicly recognise an employee for a certain behaviour, others are more likely to engage in that behaviour once they identify that your organisation values it.

Through recognition, an employee's understanding of a value such as "service" can transform from words on paper to behaviours in action. This may be something like proactively calling a customer to provide progress updates on a project, extending a workday to help a coworker prepare for a high-stakes presentation or just remembering and using an individual's preferred name throughout a conversation. When employees notice, recognise and attribute these behaviours to the organisation's value of "service," they contribute to producing a more robust and actionable understanding within the organisation.

If you are looking to use recognition to communicate your workplace culture goals, it is helpful to consider what behaviours are most important to building your culture and proactively plan to recognise them. It is also vital that you remain alert to and recognise other unanticipated behaviours that align with your cultural goals and elevate your organisation's work.



Continuously Evaluate and Refine Your Recognition Strategy

As you lean in to using recognition as a tool to transform your organisation's culture, it is crucial that you make proactive, intentional assessments of the story that is being told by the recognition being given across your organisation. Even if you've done all the foundational work, the direction of the recognition being given in your organisation can sometimes drift off target. Through analytical insights and conversations with employees across the organisation, evaluate not only if you are still promoting the workplace culture you've set out to achieve, but also consider how it is coming to life.

Recognition programs provide invaluable real-time data about how your organisation's culture is manifesting. Thorough comparative analysis can reveal any inequities or biases present in how recognition is being given and map out where your culture is catching on. These data can also be leveraged to understand what is and is not being recognised and inform any needed adjustments.

For example, if you value a high-performance culture of activation and execution, are employees only being recognised for putting out fires to ensure delivery at the last minute, or are they also praised for the initial efficiency, thoughtfulness and energy invested into their work being done right? Both behaviours can be fairly classified as "high performance," but each may correspond with different dimensions of the workplace culture you seek to achieve.

It is important to recognise not just results but also the behaviours and progress along the way. By recognising employees' efforts and behaviours, leaders can more specifically communicate their cultural expectations and ensure all their employees feel like they are appreciated. This practice also helps include employees who are at various stages of their career development and employees whose work may be less directly tied to traditional measures of performance. By recognising and rewarding progress along the way, leaders can help employees develop an understanding of what excellent performance looks like in their roles and encourage them to replicate it in the future. This is a practice that is especially critical (and helpful) for employees new to the organisation or their role.

Consistent, thoughtful evaluation of how your recognition is being directed is essential to building a culture that is robust and faithful to what you strive to create. Your leaders must ensure that their recognition is not only aligned with your organisation's culture goals but that it is aimed in the right direction for all employees.





Promote Quality Recognition Across Your Organisation So Your Culture Can Flourish

While cultural transformation may start with the leaders, it is not complete until it takes hold throughout your organisation. The final, ongoing step to help you achieve your cultural goals is to practice and promote the delivery of recognition in the most effective ways across all levels of your organisation.

As noted earlier, the research shows there are five essential pillars to strategic recognition. These serve as a blueprint for promoting quality recognition to fully leverage the ability of recognition to connect employees to your culture. Recognition should be fulfilling, authentic, personalised, equitable and embedded into your culture.⁹

Recognition that incorporates the five pillars will maximise the speed and strength by which your culture develops. Conversely, recognition that is given infrequently or without meaning may fail to deliver the benefits of recognition as well as produce adverse effects. Employees who receive recognition that is inauthentic and generic may feel their work is anonymous and that they are not valued as individuals. Recognition that is given infrequently limits the creation of language and understanding on your culture goals and can send conflicting messages. If an employee is recognised for a certain behaviour once, but never again afterwards, they may wonder if expectations have changed or if that behaviour is still valued at all.

To accelerate and sustain their cultural transformations, leaders should familiarise themselves with and hone their skills in applying the five pillars of strategic recognition. To amplify these effects, leaders can educate employees across all levels of their organisation on the best practices for giving recognition. The full power of recognition is unlocked when an organisation finds ways to embed it as part of their culture and incorporate it into daily practice.

This includes an organisation's people, not just their leaders. Employees who excel at giving recognition in their organisations fulfill each of the five pillars of strategic recognition and seamlessly incorporate it into frequent, meaningful conversations with their team members. The employees best at giving recognition are intentional in finding ways to incorporate recognition into check-ins, goal-setting sessions, coaching, immediate performance feedback and other developmental conversations throughout the year, as opposed to saving it for year-end reviews.

Gallup research finds that, in many organisations, traditional performance reviews may do more harm than good, and that only 14% of employees strongly agree their performance reviews inspire them to improve.¹⁰ Instead, through more organic and frequent conversations that include recognition, employees with direct reports can reward performance, reinforce behaviours that contribute to success and modify those that don't. Simultaneously, these conversations yield all the other benefits of effective recognition and help employees strengthen their connection to and understanding of their organisation's culture.

9 Maese, E., & Lloyd, C. (2023, July 18). Is Your Employee Recognition Really Authentic? Gallup.com. Retrieved August 11, 2023, from <https://www.gallup.com/workplace/508208/employee-recognition-really-authentic.aspx>

10 Sutton, R., & Wigert, B. (2019, May 6). More Harm Than Good: The Truth About Performance Reviews. Gallup.com. Retrieved August 11, 2023, from <https://www.gallup.com/workplace/249332/harm-good-truth-performance-reviews.aspx>

Conclusion

A strong culture acts both as a catalyst to generate engagement and as a road map to channel that engagement in a way that best serves an organisation's goals and mission. Recognition stands uniquely as an element of culture in and of itself, while also wielding the power and flexibility to reinforce other elements of how work gets done in an organisation.

In this report, Gallup and Workhuman define what workplace culture is and examine why a strong culture is vital to the success of every organisation. The research highlights recognition as a pivotal tool for building culture and illustrates how a culture boosted by recognition can drive engagement and produce other tangible results. It is a call to action for leaders and provides four practical steps to leverage the power of recognition to transform and sustain the culture that will propel them to achieve the long-term goals and mission of their organisation:



Establish your workplace culture goals and values in alignment with business strategy.



Use recognition to reflect your workplace culture goals and values.



Continuously evaluate and refine your recognition strategy.



Promote quality recognition across your organisation so your culture can flourish.



Survey Methodology

Primary results from this report are based on a survey conducted from May 26 – June 6, 2023, with 1,081 adults who are employed full-time or part-time, aged 18 and older and living in all 50 U.S. states and the District of Columbia, as a part of the Gallup Panel. For results based on these samples of national employed adults, the margin of sampling error at the 95% confidence level is ± 4.6 percentage points for response percentages around 50% and is ± 2.8 percentage points for response percentages around 10% or 90%, design effect included.

Some results from this report are based on a survey conducted from February 3 – 14, 2022, with 15,982 adults who are employed full-time or part-time, aged 18 and older and living in all 50 U.S. states and the District of Columbia, as a part of the Gallup Panel. For results based on these samples of national employed adults, the margin of sampling error at the 95% confidence level is ± 1.2 percentage points.



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