Designing Work Cultures for the Human Era

workhuman*

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EXECUTIVE SUMMARY

HR as a profession is undergoing a profound shift. Once solely focused on how to manage people as disposable resources, the human era is energizing HR leaders to be the culture keepers of their organizations. Every aspect of a company's culture – from how employees are recognized and developed to how life events are celebrated – is being reimagined to drive greater business impact and bring more humanity to everyone's experience at work.

Workhuman® conducts an annual survey in collaboration with the Society for Human Resource Management (SHRM) to elicit trends and insight from HR leaders and practitioners about their top workforce challenges and strategies to help address them.

This 2018 report examines best practices in employee recognition; the impact of recognition on organizational outcomes; trends in employee growth and development; and how to celebrate the whole human at work. We looked in particular at these questions:

What are the top issues facing HR leadership today?

What impact do recognition programs have on business metrics?

How are practices like peer feedback and more frequent performance reviews impacting employee development?

How can organizations create more supportive feedback environments?

What do award-winning organizations do differently to create a compelling employer brand?

OUR FINDINGS WERE:

1 The war for talent continues as retention and recruitment are top of mind. HR professionals' focus on more human-centered approaches may help meet these challenges.

2 Values-based recognition continues to be highest-rated among HR professionals who adopt these programs to reinforce and drive business goals.

3 Recognition programs funded at 1% or more of payroll are more likely to be rated highly than under-funded programs or programs with zero budget – "e-thanks."

4 Peer feedback, more frequent reviews, and a supportive feedback environment are effective ways to spur employee growth and development.

5 Organizations are celebrating life events to humanize the employee experience at work.

1 The war for talent continues as retention and recruitment are top of mind. HR professionals' focus on more human-centered approaches may help meet these challenges.

This year's survey confirms many medium- and large-sized companies are still struggling to retain employees in an economy that's increasingly defined by gig workers and job hoppers, rather than lifelong employees. Nearly half (47%) of HR professionals cited employee retention/turnover as their top workforce management challenge this year – the third consecutive year retention/turnover has topped the list.

Second on the list of workforce management challenges is recruitment, which 36% of HR professionals said was a top challenge this year. Recruiters certainly have a difficult job. The latest Bureau of Labor Statistics Job Opening and Labor Turnover Summary (JOLTS) "report cited 6 million job openings at the end of October, up from 5.5 million a year before."[1]

Another 34% of HR professionals indicated culture management is a challenge, jumping from the fifth most cited challenge last year to number three this year. One possible reason for increased concern is social media, which has vastly increased transparency into the inner workings of a company's operations. According to iCIMS's Modern Job Search Report, nearly one in three full-time workers declined a job offer due to negative online reviews.[2]

Finally, it's worth noting that employee engagement fell in ranking from the second biggest challenge last year to fifth on the list this year (31%). Since 2013, fewer HR professionals have cited employee engagement as a challenge (see Figure 2) as they take a more holistic approach to the whole human experience at work.[3]
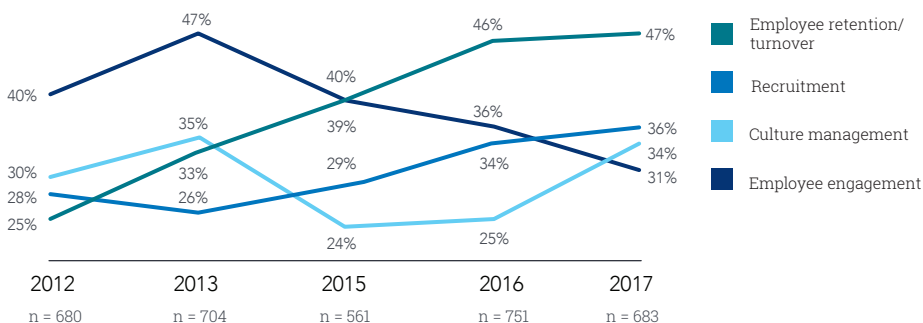
Figure 1

Top workforce management challenges cited by HR professionals

2016	2017
1. Employe rentention/turnover	1. Employe rentention/turnover
2. Employee engagement	2. Recruitment
3. Recruitment	3. Culture management
4. Succession planning	4. Succession planning
5. Culture management	5. Employee engagement

Figure 2

Workforce management challenges over the last five years

Employee retention/turnover
Recruitment
Culture management
Employee engagement

2012	2013	2015	2016	2017
n = 680	n = 704	n = 561	n = 751	n = 683

1. https://www.bls.gov/news.release/jolts.nr0.htm
2. https://www.icims.com/hiring-insights/for-employers/ebook-the-modern-job- seeker-report
3. https://www2.deloitte.com/insights/us/en/focus/human-capital-trends/2017/improving-the-employee-experience-culture-engagement.html

Nearly half (47%) of HR professionals cited employee retention/ turnover as their top workforce management challenge this year.

73% of organizations currently have an employee appreciation initiative.

HUMAN-CENTERED APPROACHES

HR professionals are using human-centered approaches in the workplace, which may help deal with retention, recruitment, and culture management challenges. Survey participants were asked which efforts their organization is actively involved in. As shown in Figure 3, a majority of organizations say they currently have initiatives around positive relationships and teamwork (75%), a compassionate, caring culture (75%), employee appreciation (73%), learning and growth opportunities (70%), and creating an inclusive culture (72%).Where is HR headed in the future? HR professionals were asked which initiatives they plan to change in the next 12 months – either in strategy or as a new area of focus. Figure 4 shows organizations will continue to improve upon inclusion and growth, as well as overall employee wellbeing.

Many organizations are also reorienting their strategies toward engagement and increasing their emphasis on the employee experience as a holistic complement.

Figure 3

Human-centered efforts organizations are actively involved in
Q: Is your organization actively engaged in the following efforts?

Positive relationships and teamwork	75%
A compassionate, caring culture	75%
Employee appreciation	73%
An inclusive culture	72%
Learning and growth opportunities	70%

n = 564-600

EMPLOYEE RECOGNITION HITS EVERY CHALLENGE

One of the goals of the 2018 SHRM/Workhuman Employee Recognition Survey was to gauge the impact of employee recognition on issues that are top of mind for HR professionals. These issues were bucketed into three categories: meeting workforce challenges, creating a human culture, and delivering business results. Overall, 80% of HR professionals surveyed say their organization has an employee recognition program.

As Figure 5 outlines, a majority of HR professionals say their employee recognition program helps with organizational culture (85%), employee engagement (84%), employee experience (89%), employee relationships (86%), and organizational values (83%). As such, HR should treat employee recognition as not just a program, but a management practice that has very real business impact.
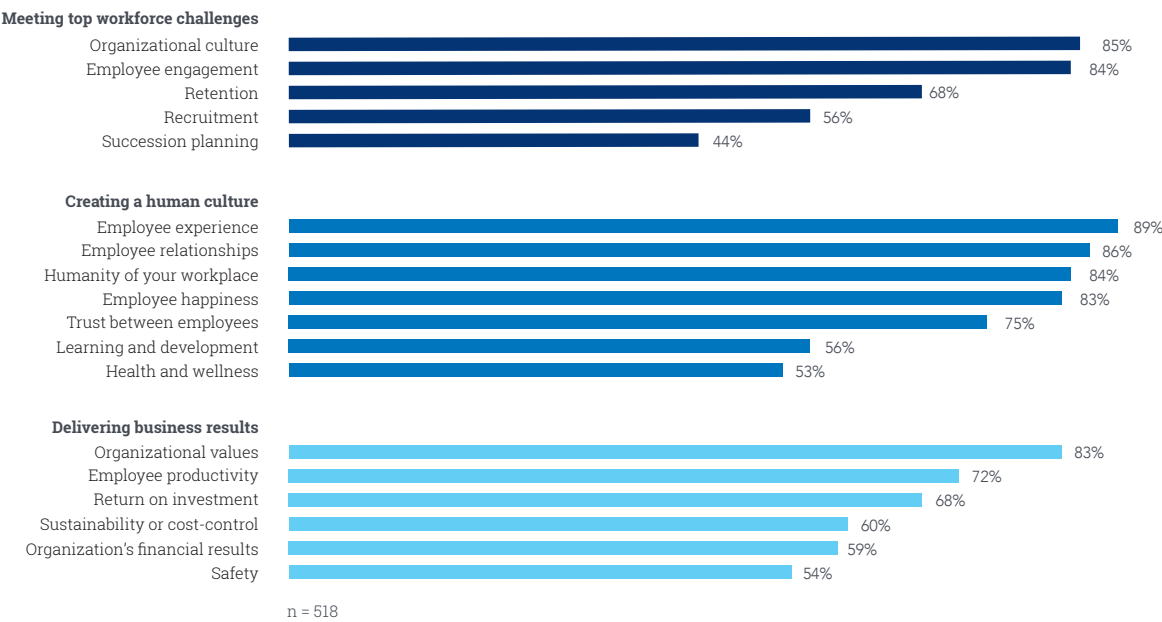
Figure 4

Initiatives changing in the next 12 months
Q : Is your organization actively engaged in the following efforts?

Initiative	%
Reduction of employee stress	30%
Employee engagement	26%
Employee trust in leaders	25%
Employee experience	25%
Diversity, inclusion and/or belonging	25%

n = 515-600

Figure 5

Business impact of employee recognition
Q: In your professional opinion, do you strongly agree or agree that your employee recognition program helps with the following?

Meeting top workforce challenges

Organizational culture	85%
Employee engagement	84%
Retention	68%
Recruitment	56%
Succession planning	44%

Creating a human culture

Employee experience	89%
Employee relationships	86%
Humanity of your workplace	84%
Employee happiness	83%
Trust between employees	75%
Learning and development	56%
Health and wellness	53%

Delivering business results

Organizational values	83%
Employee productivity	72%
Return on investment	68%
Sustainability or cost-control	60%
Organization's financial results	59%
Safety	54%

n = 518

2 Values-based recognition continues to be highest-rated among HR professionals who adopt these programs to reinforce and drive business goals.

Since this survey launched five years ago, values-based recognition – where employees are recognized and rewarded for behavior that exemplifies a company's core values – has continued to be more highly adopted (70%) than programs that are not tied to a company's core values (30%). And at the same time, HR professionals with values-based recognition are much more likely to rate their program as good or excellent.

As outlined in Figure 6, recognition programs tied to values are 1.5 times more likely to be rated "good." Programs not tied to values are nearly 2x as likely to be rated "fair," and 6x as likely to be rated "poor." No respondents with programs not tied to values said their program was "excellent."

HOW TO DESIGN AN EFFECTIVE RECOGNITION PROGRAM

Given the data above, why do certain organizations adopt values-based recognition, while others choose a program not tied to values? Survey results suggest the lens through which an organization views recognition – either strategically or tactically – can have a significant impact on program design.

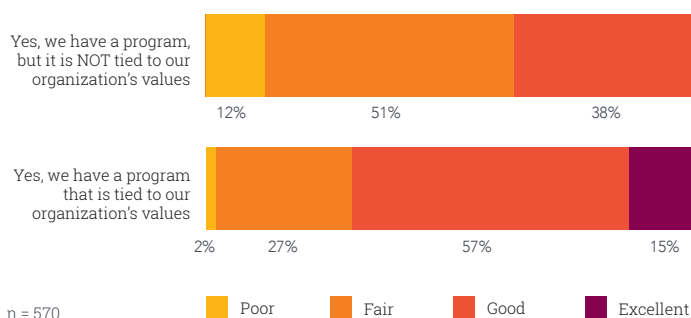HR professionals were asked, "What are the reasons driving the design of your organization's recognition program?" Figure 7 shows programs tied to values are:

- More than 2x as likely to be focused on reinforcing driving business goals
- 33% more likely to be focused on empowering employees
- 29% more likely to be focused on creating a positive employer brand

Figure 6

Values-based recognition more likely to be rated good or excellent
Q: Overall, how would you rate your organization's current employee recognition efforts?

Yes, we have a program, but it is NOT tied to our organization's values

| 12% | 51% | 38% |

Yes, we have a program that is tied to our organization's values

| 2% | 27% | 57% | 15% |

n = 570

Poor   Fair   Good   Excellent

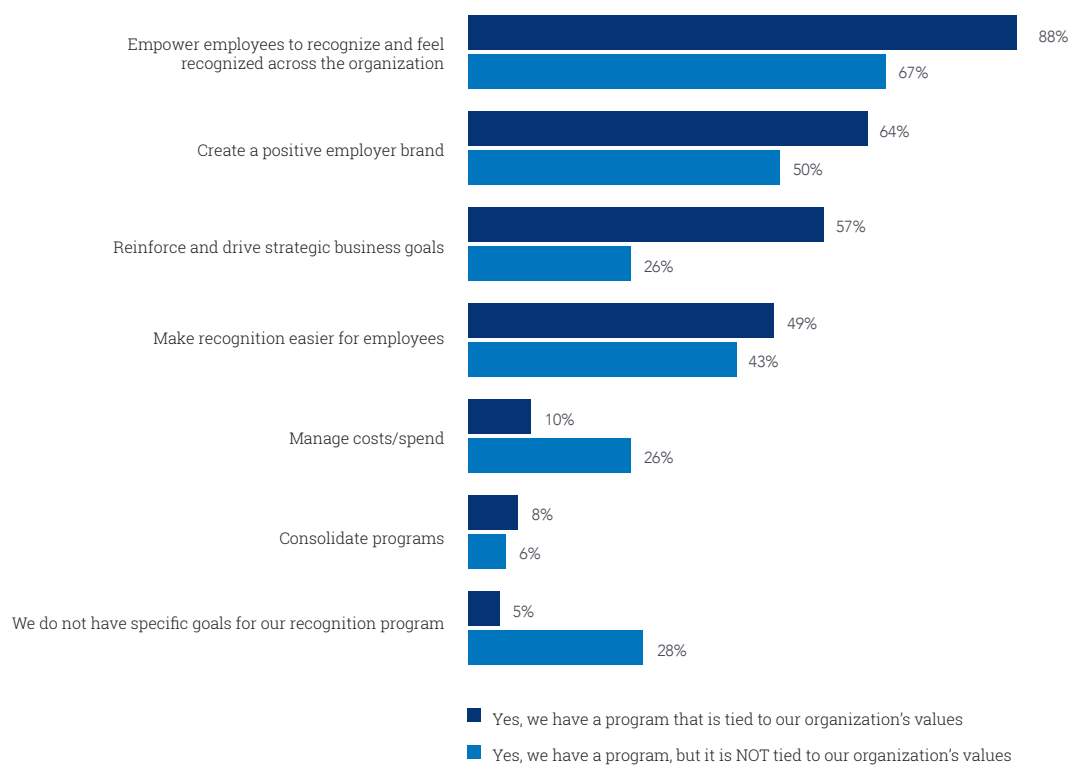**HR should treat employee recognition as not just a program, but a management practice that has very real business impact.**

Recognition programs not tied to values are much more likely to be designed as cost-cutting measures with no associated business goals.

Values-based recognition more aligned with business goals
Q: What are the reasons driving the design of your organization's recognition program?

Reason	Tied to values	NOT tied to values
Empower employees to recognize and feel recognized across the organization	88%	67%
Create a positive employer brand	64%	50%
Reinforce and drive strategic business goals	57%	26%
Make recognition easier for employees	49%	43%
Manage costs/spend	10%	26%
Consolidate programs	8%	6%
We do not have specific goals for our recognition program	5%	28%

■ Yes, we have a program that is tied to our organization's values
■ Yes, we have a program, but it is NOT tied to our organization's values

n = 519

In contrast, recognition programs not tied to values are much more likely to be designed as cost-cutting measures with no associated business goals. Many recognition programs are also designed with associated employee rewards. Which rewards have the most positive impact on your people? Survey results indicate employee choice is important here, as 94% of HR professionals surveyed said points or a certain dollar value that allow for employee choice (e.g., experiences, merchandise, gift cards) have a very positive or positive impact on employee motivation.

In addition to values and reward choice, the survey found that integration with an organization's overall people strategy is also a key aspect of program design that is associated with program effectiveness.
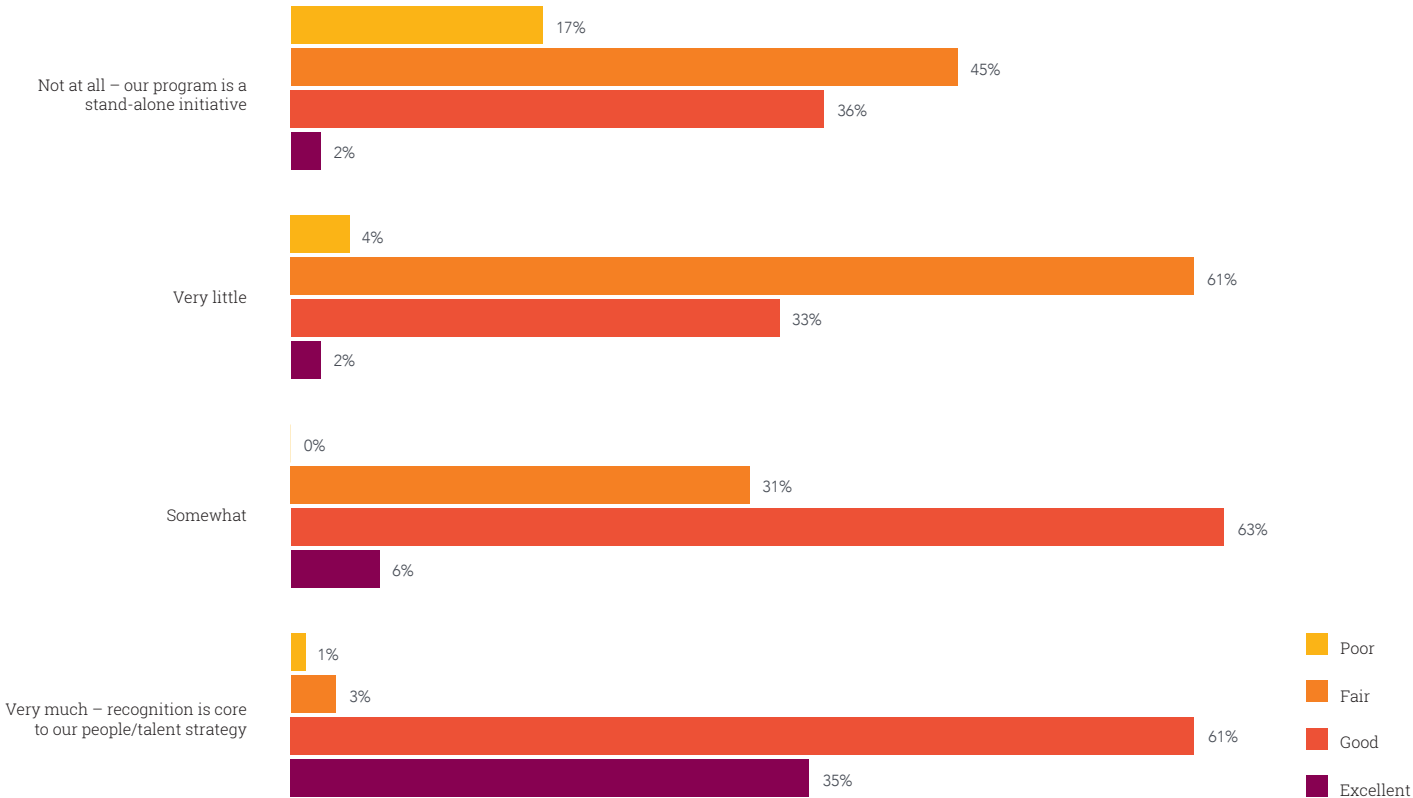
Figure 8 shows when recognition is core to an organization's people/talent strategy, HR is much more likely to rate the program as excellent. In fact, it's nearly 6x as likely to be rated excellent compared to a program that's only somewhat tied to a company's people/talent strategy.

HR professionals should note the best scenario for an excellent program is one that is not stand-alone, but rather a key piece of the organization's overall people goals.

Integration with people strategy a key differentiator for recognition programs
Q: To what extent is your recognition program integrated with your overall people/talent strategy?

n = 507

3 Recognition programs funded at 1% or more of payroll are more likely to be rated highly than under-funded programs or programs with zero budget – "e-thanks."

When it comes to total employee rewards, HR professionals have several levers they can pull to drive certain results. Employee recognition is certainly one of those levers, with different levels of investment to choose from.
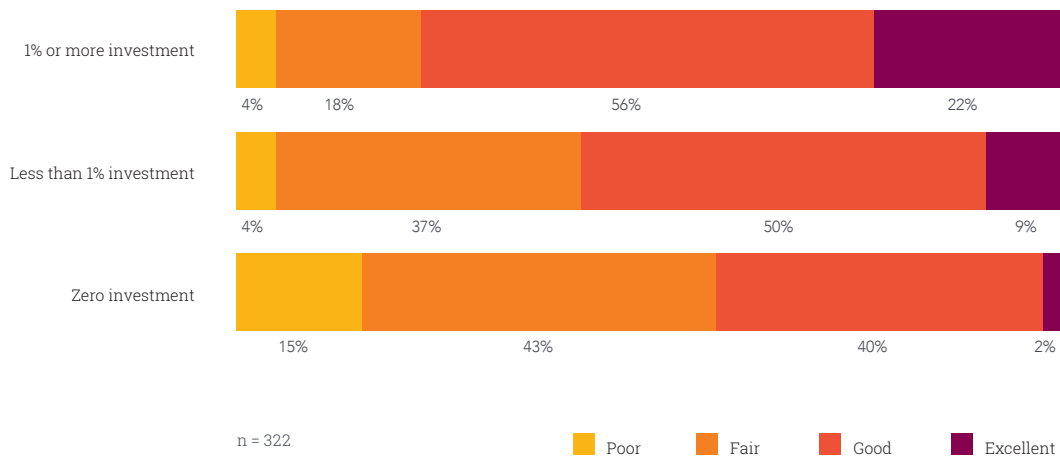
As part of cost-savings efforts, some organizations will implement a recognition program that delivers "e-thanks" with no monetary reward. At the other end of the spectrum are robust, well-funded programs that reinforce positive behavior by delivering messages of appreciation in addition to monetary reward.

Survey results strongly indicate an investment of 1% or more of payroll is where HR professionals can expect to see the greatest return on their recognition investment.

Figure 9 shows compared to "e-thanks," programs funded at 1% or more of payroll are 86% more likely to be rated as good or excellent. A majority of "e-thanks" programs (58%) are rated as poor or fair.

Figure 9

Programs funded at 1% or more of payroll more likely to be rated good/excellent
Q: Overall, how would you describe your organization's current recognition efforts?
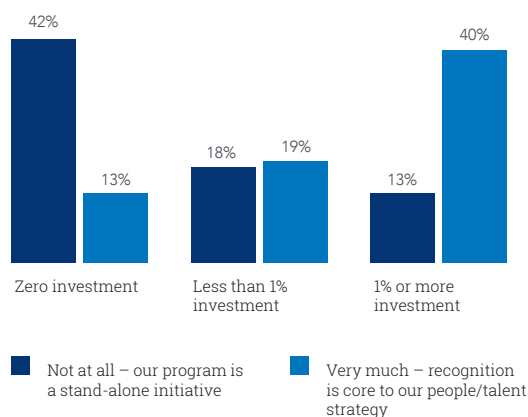

n = 322   Poor   Fair   Good   Excellent

Not only do HR professionals rate programs funded at 1% or more of payroll more positively, but they're also much more likely to agree those programs are fully aligned with the organization's people strategy (see Figure 10). Why does that matter? HR's people strategy is often tied to important business metrics, like retention rate of critical employees, strength of company values, employee happiness, and even number of safety award nominations. Using a recognition program to shed light on these metrics can be an invaluable tool for HR.

Figure 10

Programs funded at 1% or more of payroll more integrated with people strategy

Q: To what extent is your recognition program integrated with your overall people/talent strategy?

| Zero investment | Less than 1% investment | 1% or more investment |

42%   13%   18%   19%   13%   40%

■ Not at all – our program is a stand-alone initiative
■ Very much – recognition is core to our people/talent strategy

n = 322   Note: Percentages do not total 100% because the response options 'Very Little' and 'Somewhat' are excluded.

As noted in this report's first finding, recruitment is the second most cited HR challenge this year. One way to showcase your company's employer brand and improve recruitment efforts is through workplace culture awards that rank company culture based on factors like employee reviews and benefits.[4]

Organizations that invested 1% or more of payroll on employee recognition were more than 2x as likely to receive a workplace award (Figure 11).

Another important aspect of recruitment is employee referrals, which can dramatically improve companies' time to hire. But to get great employee referrals (or any at all), your employees need to have a positive view of the organization. Respondents were asked, "How would you say that employees view your organization?"

Although most organizations fall into the "good place to work" category regardless of their investment in employee recognition, the chances of reaching "best place to work" status dramatically increase as organizations invest more in employee recognition (Figure 12).

Figure 11

Organizations that invest more in recognition are more likely to be
award-winning workplaces
Q: In the past three years, has your organization received any
awards for its workplace culture, programs, etc.
(e.g., best place to work or similar types of awards)?

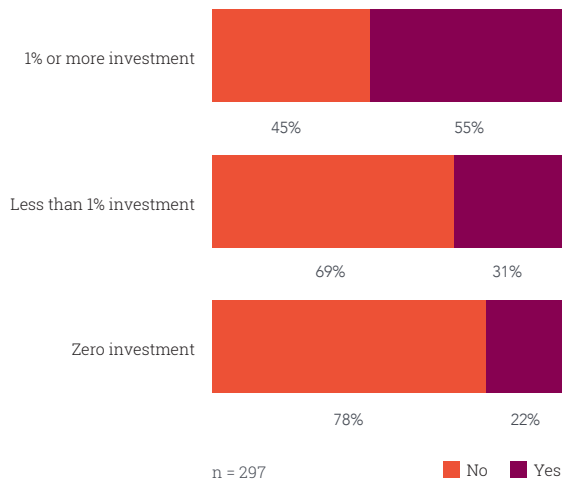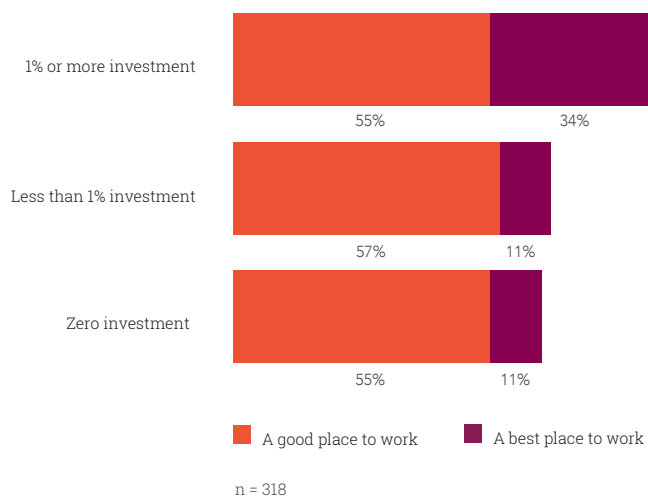|	No	Yes
1% or more investment	45%	55%
Less than 1% investment	69%	31%
Zero investment	78%	22%

n = 297   ■ No ■ Yes

Figure 12

Organizations with recognition funded at 1% or more of payroll
More Likely to be Best Places to Work
Q: How would you say that employees view your organization?

	A good place to work	A best place to work
1% or more investment	55%	34%
Less than 1% investment	57%	11%
Zero investment	55%	11%

■ A good place to work   ■ A best place to work

n = 318

Note: Percentages do not total 100% because response
options of 'A Fair Place to Work' and 'A Poor Place to
Work' are excluded.

4. http://recruitingdaily.com/want-recruit-great-people-helps-youre-great-place-work/

4

Peer feedback, more frequent reviews, and a supportive feedback environment are effective ways to spur employee growth and development.
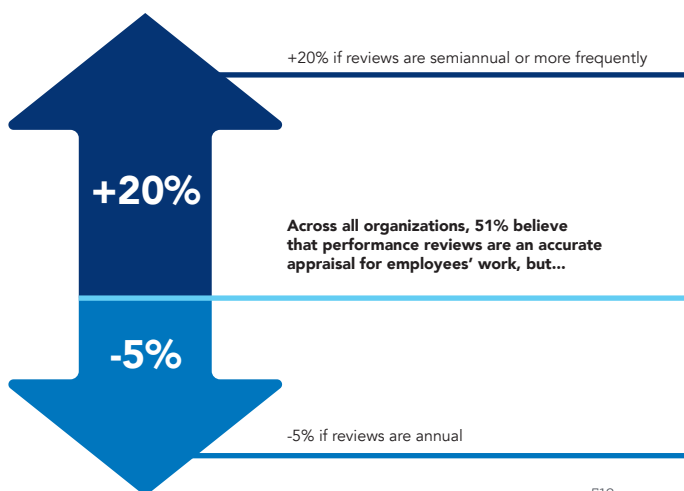
Finding 1 showed the third most cited challenge by HR professionals this year is culture management. Arguably, one of the most important aspects of organizational culture is how HR and top management approach employee growth and development. Is the process uninspiring and antiquated? Or does it come from a place of positivity – setting employees up for success through frequent conversations and collaboration?

Only about half (51%) of HR professionals think their current performance appraisal process is accurate. However, a closer look at this number reveals an important trend (Figure 13). HR professionals who conduct semiannual or more frequent reviews are 1.5 times more likely to agree they are an accurate appraisal of employees' work, compared to organizations that conduct annual reviews.

Figure 13

More frequent reviews are perceived as more accurate
Q: Are performance reviews an accurate appraisal of employee work?

+20% if reviews are semiannual or more frequently

+20%

Across all organizations, 51% believe that performance reviews are an accurate appraisal for employees' work, but...

-5%

-5% if reviews are annual

n = 512

HR professionals who conduct semiannual or more frequent reviews are 1.5 times more likely to agree they are an accurate appraisal of employees' work, compared to organizations that conduct annual reviews.

More frequent reviews fit the agile, fast-paced nature of the modern workplace, and it's much easier to evaluate performance over the past few months than over an entire year. One potential way to take the burden out of the process is through peer feedback. Organizations that rely on more frequent performance reviews are more likely to use peer feedback, either ongoing or intermittently (Figure 14).

The data further shows that as their organizations adopt more frequent reviews and forward-thinking practices like peer feedback, HR professionals are more likely to agree performance reviews are accurate (Figure 15). Compared to annual reviews with no peer feedback, semiannual reviews and peer feedback are nearly 2x as likely to be perceived as accurate.

HR professionals who work in organizations that use peer feedback were asked how frequently it is used in their organization and what impact it has made. The data in Figure 16 makes a clear case for ongoing peer feedback and check-ins, which HR professionals are 33% more likely to say have a somewhat or very positive impact, compared to peer feedback used only intermittently.

The data show even if an organization is not quite ready to forgo the traditional performance review, HR professionals can consider adopting frequent peer feedback as a supplement to improve the quality of conversations and employee development over the course of the year.

As organizations encourage more productive performance conversations, HR professionals may wonder what they can do to make this process easier for employees and managers. To answer this question, the survey examined the components of a supportive feedback environment. Here's the definition of a supportive feedback environment used in the survey:

> A supportive feedback environment is one that encourages daily informal feedback exchanges – between managers and direct reports and between peers – that are generally positive, high in quality, frequently occurring, from credible sources, and where feedback-seeking is encouraged.

Peer feedback associated with more frequent reviews
Q: Does your company use peer feedback?

Semiannual or more frequent performance reviews	62%	38%
Annual performance reviews	73%	27%

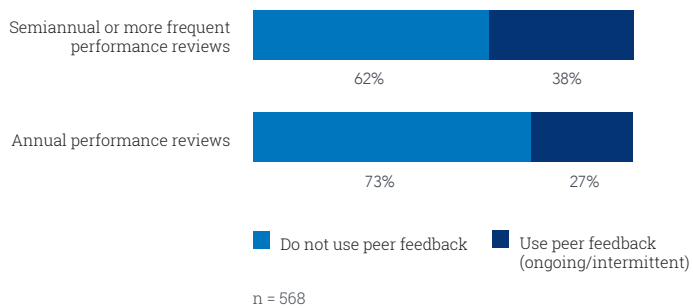■ Do not use peer feedback   ■ Use peer feedback (ongoing/intermittent)

n = 568

Most accurate: combining more frequent reviews and peer feedback
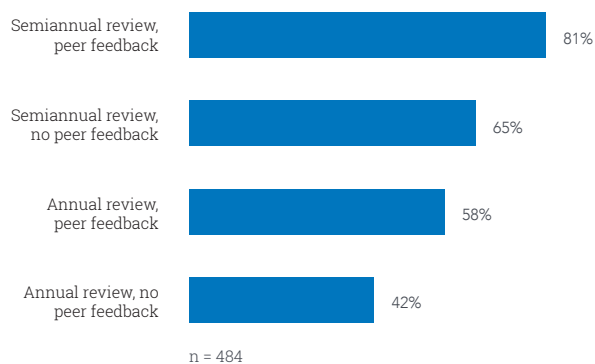### Q: On average, do you agree that your organization's performance reviews are an accurate appraisal for employees' work?

Semiannual review, peer feedback	81%
Semiannual review, no peer feedback	65%
Annual review, peer feedback	58%
Annual review, no peer feedback	42%

n = 484

Ongoing peer feedback has more positive impact than intermittent peer feedback
Q: Overall, how would you say that using peer feedback on performance has impacted your organization?

Ongoing peer feedback	89%
Peer feedback used only at certain times of year	67%

Note: Percent saying feedback has a somewhat or very positive impact on the organization

n=162

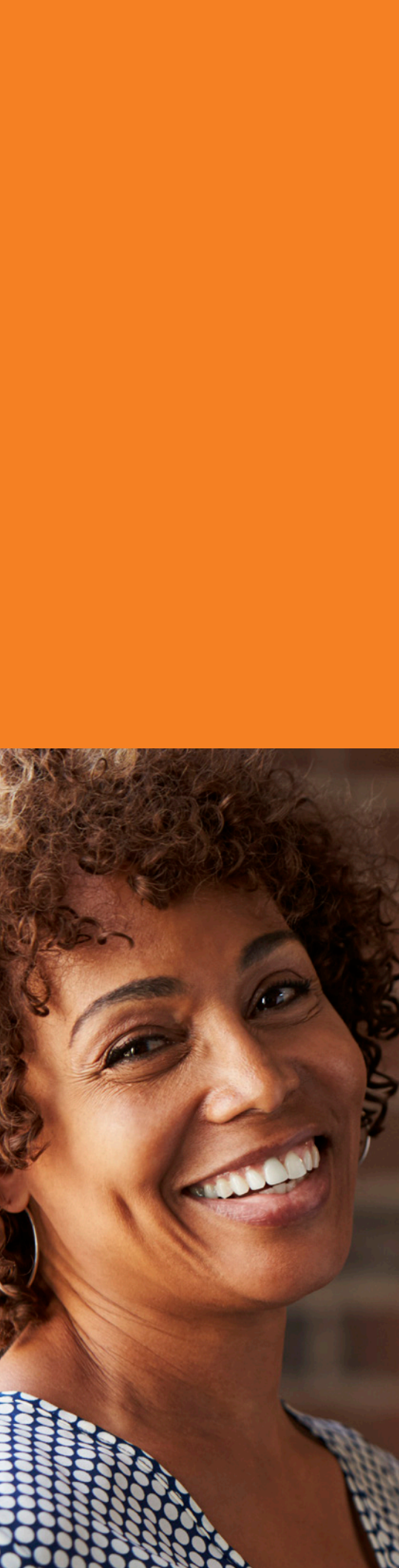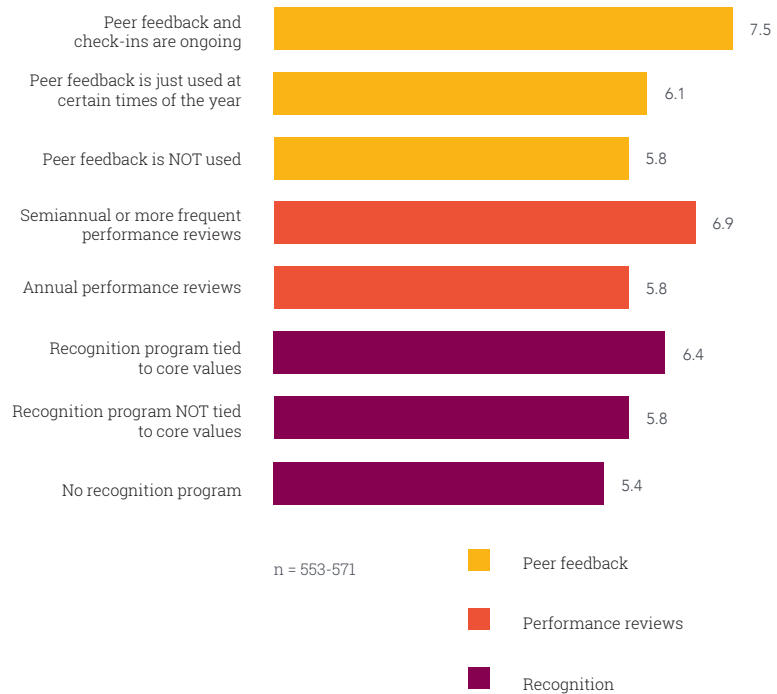**Building blocks of a supportive feedback environment**
Q: Rate the quality of the organizational feedback environment (on a 10-point scale)

Category	Score
Peer feedback and check-ins are ongoing	7.5
Peer feedback is just used at certain times of the year	6.1
Peer feedback is NOT used	5.8
Semiannual or more frequent performance reviews	6.9
Annual performance reviews	5.8
Recognition program tied to core values	6.4
Recognition program NOT tied to core values	5.8
No recognition program	5.4

n = 553-571

- Peer feedback
- Performance reviews
- Recognition

HR professionals were asked, "To what extent is the feedback environment at your organization supportive?" Answers were provided on a scale from 1 (not supportive at all) to 10 (very supportive).

As shown in Figure 17, an organization's feedback environment is more likely to be supportive when the following three initiatives are adopted:

- Ongoing peer feedback
- Frequent performance reviews
- Recognition tied to core values

5

Organizations are celebrating life events to humanize the employee experience at work.

Employees are nearly two times as likely to agree their company is a good place to work when they are very or somewhat satisfied with how life events are celebrated (64%).

The previous four findings show how HR professionals are reimagining reward and recognition and employee development to not only drive greater business impact, but also to create a better experience for employees. What else are HR professionals doing this year to cater to the whole human at work?

One way is through celebrating employees' life events – such as getting married, buying a house, or having a child – in the workplace. This ties into a broader initiative by forward-thinking companies to create work environments that allow people to bring their whole self to work.

HR professionals were asked, "How are employee life events celebrated at your organization?" – with the ability to check all answers that apply. Three out of five organizations (60%) are involved in helping employees celebrate life events, and about one-third (32%) leave it up to employees/teams/departments to decide how or whether to celebrate. To understand how effective different celebrations are, the follow-up question was, "Overall, how satisfied do you think employees are with the way life events are celebrated at your organization?"

From providing space to share photos or news of life events, to giving gifts or providing budget for celebrations, Figure 18 shows employees are more likely to be very or somewhat satisfied when organizations take an active interest in their lives outside of work. Dissatisfaction with how life events are celebrated is most prevalent when employees/teams/departments are left to decide how or whether to celebrate at all. Leaving celebration up to different teams or departments means employees can have vastly different experiences depending on where they sit in the organization.

Why does it matter how employees feel about life event celebrations? For one – it could have a major impact on retention and recruitment. Figure 19 shows a relationship between HR's view of employee satisfaction with life events and the perception that their organization is a best place to work, as reported by HR professionals.

According to HR professionals, employees are nearly two times as likely to agree their company is a good place to work when they are very or somewhat satisfied with how life events are celebrated (64%), compared to those who are very or somewhat dissatisfied with life events (35%).

The data further show a positive relationship between HR's view of employee satisfaction with the celebration of life events and award-winning cultures. When employees are very or somewhat satisfied with the celebrations of life events, the organization is 95% more likely to have also won awards for its culture in the past three years compared to organizations where employees are very or somewhat dissatisfied.

While HR may have traditionally shied away from activities that support work/life blending, this year's survey makes a business case for celebrating the whole human at work. Creating a community celebration of life events can help instill a sense of belonging and humanize employer brands, making them more attractive to potential and future hires.

Figure 18

HR reports greater satisfaction when organization is more involved with life events
Q: Overall, how satisfied do you think employees are with the way that life events are celebrated at your organization?

Organization provides a place to share photos/news of life events with others — 81%, 17%, 3%
Organization provides a card or gift to employees for certain life events — 80%, 18%, 2%
Organization provides budget/supplies/food for celebrations — 78%, 16%, 6%
Employees/teams/departments decide how or whether to celebrate — 65%, 22%, 13%

■ Very/somewhat satisfied   ■ Neutral   ■ Very/somewhat dissatisfied
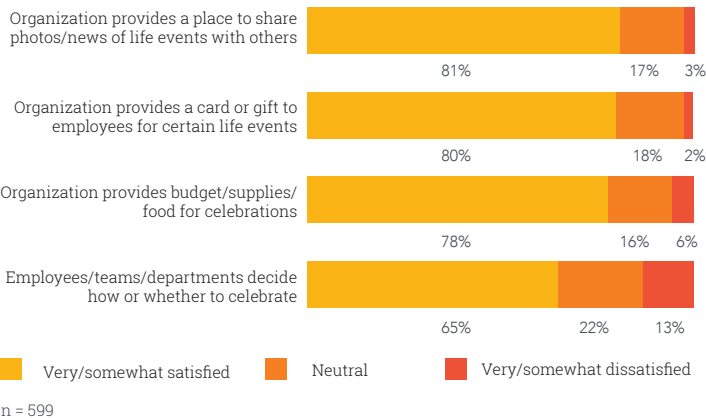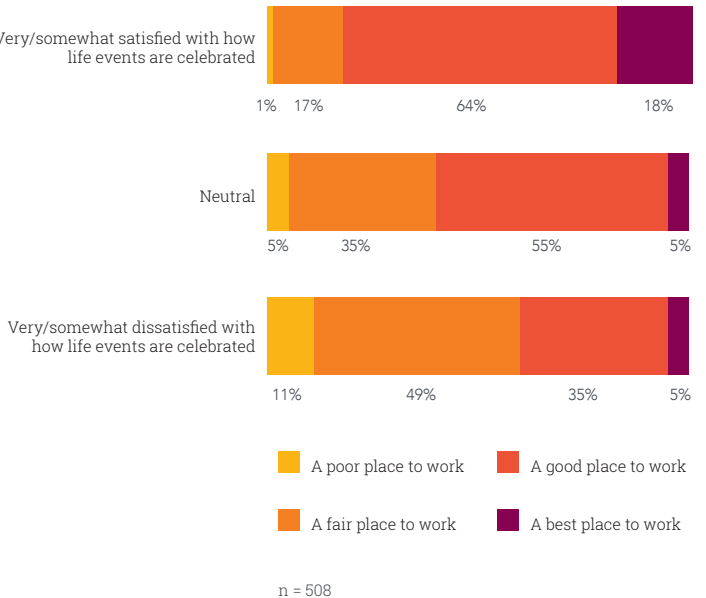
n = 599

Figure 19

Employee satisfaction with life events is associated with quality of work experience
Q: How would you say that employees view your organization?

Very/somewhat satisfied with how life events are celebrated — 1%, 17%, 64%, 18%
Neutral — 5%, 35%, 55%, 5%
Very/somewhat dissatisfied with how life events are celebrated — 11%, 49%, 35%, 5%

■ A poor place to work   ■ A good place to work
■ A fair place to work   ■ A best place to work

n = 508

CONCLUSION

In this research report, we looked at the top HR challenges this year, such as retention and recruitment, and how many companies are adopting more human-centered practices such as growth and development, and diversity, inclusion, and belonging, that may help address these challenges.

One practice that year over year continues to be adopted as a way to address these challenges is employee recognition, implemented by 80% of organizations. However, the quality of employee recognition programs is varied. HR professionals are more likely to rate their organization's employee recognition program highly if three important areas of the program are met:

- Alignment to an organization's core values (15% vs. 0%, excellent)
- Integration with people/talent strategy (35% vs. 6%, excellent)
- Funding at 1% or more of payroll (22% vs. 8%, excellent)

When these criteria are met, recognition can be a strategic driver of business goals, and organizations are more likely to have workplace culture awards and a positive employer brand.

In terms of employee growth and development, HR professionals are still dissatisfied with the accuracy of traditional performance reviews. But they are finding ways to improve the process by creating more supportive feedback environments that encourage more conversation, peer feedback, and positive reinforcement through the year.

Finally, the majority of organizations (60%) are helping celebrate employees' life events – like getting married or having a child. Not only could this help create a community atmosphere but, when done well, it has the potential to help HR professionals differentiate the organization in their retention and recruitment efforts.

2018 REPORT FINDINGS:

1 The war for talent continues as retention and recruitment are top of mind. HR professionals' focus on more human-centered approaches may help meet these challenges.

2 Values-based recognition continues to be highest-rated among HR professionals who adopt these programs to reinforce and drive business goals.

3 Recognition programs funded at 1% or more of payroll are more likely to be rated highly than under-funded programs or programs with zero budget – "e-thanks."

4 Peer feedback, more frequent reviews, and a supportive feedback environment are effective ways to spur employee growth and development.

5 Organizations are celebrating life events to humanize the employee experience at work.

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ABOUT THE SURVEY

The findings for this report were based on the SHRM/Workhuman Employee Recognition Survey which was commissioned by Workhuman and conducted by the Society for Human Resource Management from Sept. 27 to Oct. 18, 2017, and is the sixth deployment in a series of surveys since its launch in 2011.

This edition of the survey was sent to randomly selected SHRM members at a manager level or above. The final sample of the survey was composed of 738 HR professionals who are employed at organizations with a staff size of 500 or more employees. The survey had a response rate of 12.5 percent and a margin of error of +/-4 percent.

Results include responses from organizations in the U.S. across a wide range of business-to-business and business-to-consumer industries.

ABOUT WORKHUMAN

Workhuman® is the world's fastest-growing integrated Social Recognition® and continuous performance management platform. Our human applications are shaping the future of work by helping organizations connect culture to shared purpose. With a consistent stream of gratitude fueling unparalleled, provocative workplace data and human insights, Workhuman® Cloud is a critical software engine for global companies seeking to motivate and empower their people to do the best work of their lives. Workhuman (formerly known as Globoforce) was founded in 1999 and is co-headquartered in Framingham, Mass., and Dublin, Ireland.

ABOUT THE WORKHUMAN ANALYTICS & RESEARCH INSTITUTE

The Workhuman Analytics & Research Institute is dedicated to the understanding and application of global workplace practices that create more engaged, productive, and ultimately more human work cultures. In collaboration with leaders in the human resource industry and global research papers, The Workhuman Analytics & Research Institute publishes original research and papers on current trends that affect and influence the employee experience, culture management, and leadership.

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