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3 Ways Recognition Combats Economic Uncertainty

SHAPE AND REINFORCE CULTURE WITH INSIGHTS FROM GALLUP AND KORN FERRY

Culture is the soul of your organisation. According to Gallup, 'Up to 84% of the value of an S&P 500 company rests in the talents, skills, knowledge, work ethic and even the health of employees.' But as people remain stressed in the face of economic uncertainty, how do you foster a strong company culture that reinforces values and inspires engagement?

Recognise them. It's that simple. Research found that only one in four employees in Gallup's global database strongly agree they have received recognition or praise for doing good work in the last week; if the median business doubled that number, it could realise a **9%** improvement in productivity, a **22%** decrease in safety incidents and a **22%** decrease in absenteeism.

Further, when employees strongly agree that recognition is an important part of their organisation's culture, they are 3.8x as likely to strongly agree they feel connected to that culture.

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For rapid culture change, I honestly can’t think of a better tool than recognition programmes.

TOM MCMULLEN
Senior Client Partner & Total Rewards Expertise Leader
Korn Ferry

Source: ‘The ROI of Strategic Employee Recognition: By the Numbers,’ Workhuman and Korn Ferry, webinar, March 2023

Tom McMullen, senior client partner and total rewards expertise leader at Korn Ferry (a Workhuman® customer), says reward and recognition is one of the most important cultural reinforcement tools. Without it, 'the organisation and its employees are likely to have a skeptical view of the relevance and urgency' of change management initiatives, such as innovation, agility and inclusion.

That makes recognition the rock-solid foundation of a winning company culture – and good financial sense, too. Here are some tools and insights you can use to make informed, data-driven decisions about the business rationale for a strategic investment in recognition as a flexible and potent tool to shape and reinforce workplace culture.

ONE

Recognition is a strategic lever for addressing business challenges.

Whether it's the cyclical cycle of business or economic uncertainty, there will always be challenges within the HR framework. Leaders should build a cohesive, flexible total rewards strategy that allows them to pull different levers versus having a stagnant strategy that makes it hard to address employee needs.

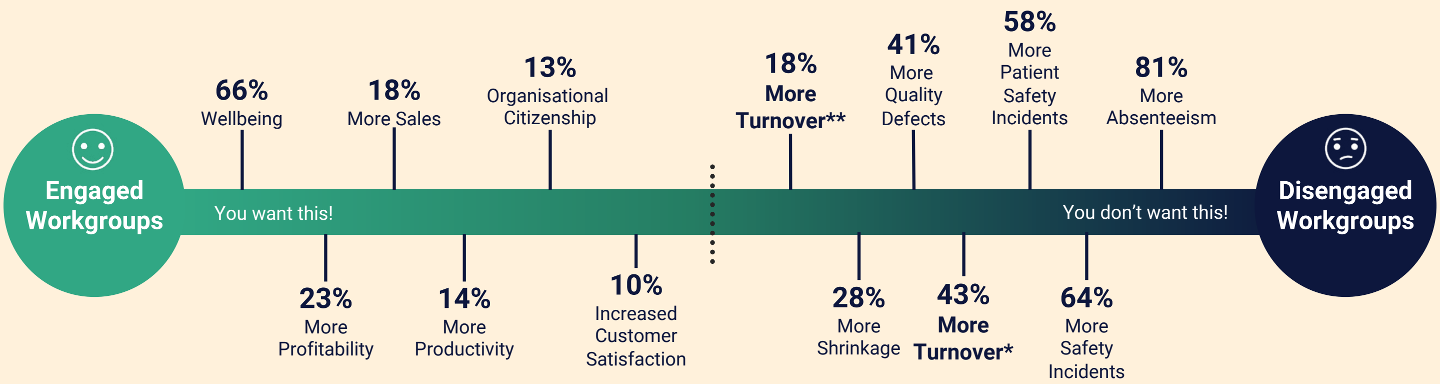
World at Work has identified recognition as a high-impact, low-cost lever in a productive, inspired and committed total rewards strategy. Compared to the cost of large annual bonuses as a part of compensation or the cost of turnover because of losing key talent, recognition is less expensive and positively impacts employees and the organisation.

TWO

Investing in people now means future-proofing your business.

Research from Gallup shows the positive impact of employee engagement – as well as the negative effects of disengaged employees. When compared to the median workgroup, the top 25% of engaged workers have 66% better wellbeing, 18% more sales results, 23% more profitability, 14% higher productivity and 10% increased customer satisfaction.

On the other hand, the bottom 25% of engaged workers contribute 18-43% more turnover, 41% more quality defects, 81% more absenteeism, 58% more patient safety incidents, 28% more shrinkage and 64% more safety incidents. Those are outcomes no leader wants.

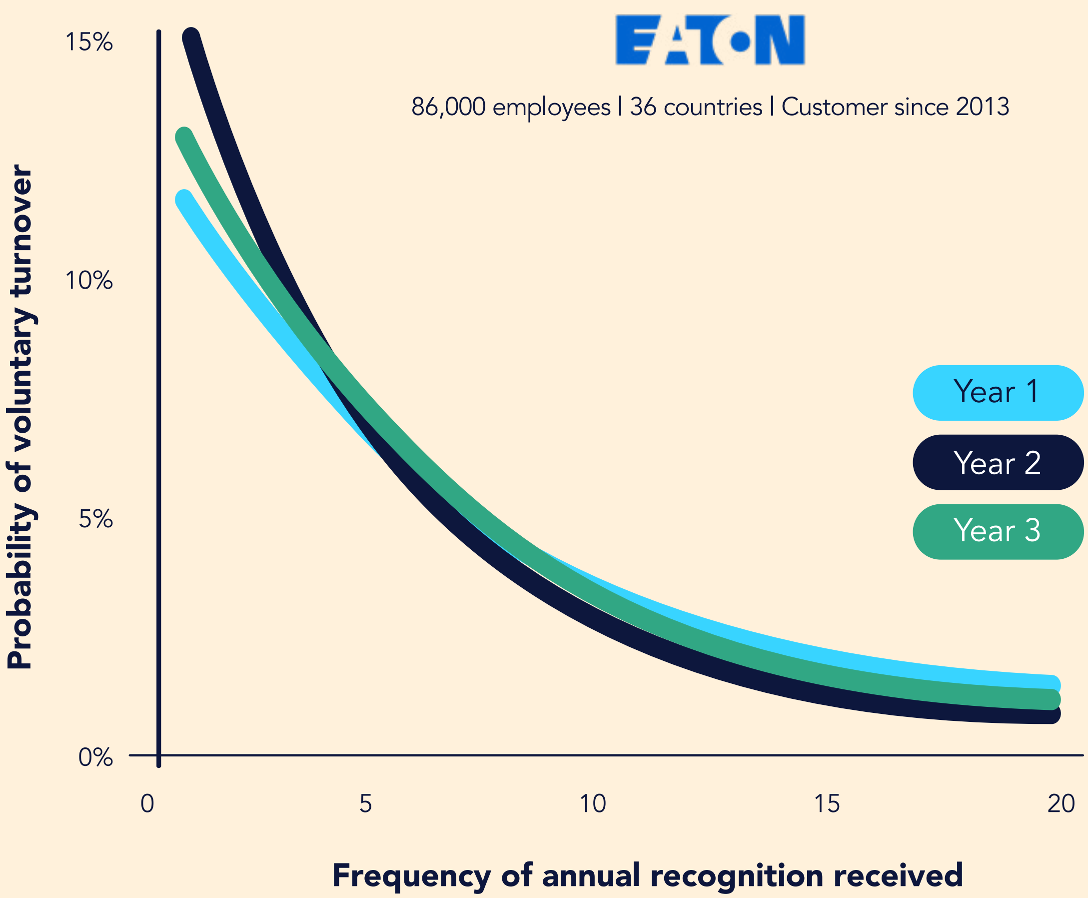


*In low turnover organisations. **In high turnover organisations.
*Differences in performance between engaged and actively disengaged business/work units, work units scoring in the top quartile on employee engagement significantly outperformed those in the bottom quartile. Source: Gallup's 2020 Q12 Meta-Analysis — the ninth that Gallup has conducted since 1997 — examines the effect of employee engagement on organisations' bottom line.

Here are some outcomes from Workhuman customers:

Decreased voluntary turnover

Our customer Eaton studied the impact of recognition on voluntary turnover. As recognition moments increased, the likelihood of turnover decreased – consistently over three years. Frequent recognition can drive better retention; we see this same effect in every industry and country.



New-hire retention

Attracting, selecting and onboarding new employees is a significant investment, so it's important to create an environment in which those employees stay and deliver value. Client data shows new hires who receive recognition tend to stay in their jobs at a greater rate than those who don't; at 200 days of tenure, the turnover rate of the recognised work group was at around 10%, and for those that went unrecognised, it was nearly double at more than 20%.

Physical safety

In facilities where employees receive recognition, there are 66% fewer lost time incidences and 50% fewer total recordable incident rates compared to locations where employees do not receive recognition. Recognition is powerful in driving talent outcomes that lead to quantifiable top-line revenue.

THREE

Model your potential results with your own data.

In the example shown on the next page, our client wanted to achieve business impact through a €150-per-employee investment in recognition. Using Gallup's formulas with the client's internal data, we see that:

- If we drove 1% greater productivity in just 5% of workers, it would be worth nearly €58 million of additional revenue.
- If we reduced turnover by 1%, the organisation would save €183 million.
- If we achieved 1% less unplanned absenteeism, the organisation would realise €4 million of additional productivity and revenue savings.

All told, we're looking at nearly **€215 million of value created** from the investment in recognition – or a **6.9x ROI**. On a per-employee level, it's a **€150 solution to a €1,000 problem, or savings of up to 85%.**

Investment & value explained

Data inputs

Category	Value
# of EEs	208,000
Avg annual salary	€125,000
Annual investment @ 0.12% of payroll	€31,200,000
Anticipated employee investment / year	€150
Annual company revenue	€115,910,000,000
Annual voluntary turnover	12% (24,960 humans)
Target voluntary turnover	11% (22,880 humans)
Typical days to replace	30
Typical days to full productivity	45
Total cost as % of average salary	70% (€87.5K)

Revenue creation		How is value created?
Productivity:	€57,955,000	5% of EEs become 1% more productive

Cost reductions		How is value created?
Turnover:	€183,424,658	12% vol turnover to 11% (retaining 2,080 employees)
Unplanned absenteeism:	€4,257,300	10% of EEs have 1% less unplanned time off
Total cost reductions:	€187,681,958	

TOTAL VALUE CREATION OPPORTUNITY (after investment): **€214,436,958 (or) €1,031/employee** → **6.9x ROI**

In addition, if recognition is viewed as an investment, it drives positive cultural change and helps organisations:

- Roll out a tailored set of programmes to align business and people strategy
- Balance employee and organisational interests
- Embrace frequent, transparent, two-way communication
- Evaluate programme effectiveness

We understand you may need to make a compelling case to manage up and gain executive buy-in for recognition. Know where your executives are on the spectrum, provide internal benchmarking data and case studies to support business objectives and lean on your Workhuman team.

Workhuman consultants can model your potential investment on three levels to show you how to achieve the results you’re looking for and build a business case to help you pitch recognition to internal stakeholders.

Ready to realise more value from your people and systems and create a culture of connection that drives measurable, tangible impact?
Get more research.

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