2017 Employee Engagement Trends Spotlight:

Insights, ideas and best practices for the year ahead

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As you work to continually improve and advance your organization, consider the five trends outlined here. Emerging over the past few years, these trends have generated recognition best practices that are increasingly being used by leading companies to increase employee and customer engagement, develop exceptional leadership and drive great business results.

1. The Employee Value Proposition

The employee value proposition (EVP) has become a prominent focus at many top companies.

An EVP is defined as: the complete offering a company makes to its prospective and current employees in return for their best efforts. It encompasses pay and benefits, all of the non-financial aspects of the company's culture that attract, retain and motivate employees and the reasons former employees would speak well of the company.

How is an EVP different from engagement?

Employee engagement applies only to the period when a person is an employee. But a well-implemented EVP strategy considers how the company is perceived before, during and after employment, thus taking a broader view of the employee relationship. The EVP tends to be less episodic than engagement initiatives, which are often linked to annual surveys. And the EVP puts the burden on the company to offer the work, opportunities, culture and benefits of greatest value to the employee.

In the last decade, traditional employee engagement programs increasingly blamed "disengaged" employees for having bad attitudes, despite evidence that the vast majority of people will be "engaged" if the company provides a desirable culture and environment, attentive and supportive managers, work-life balance, teamwork, a promising future and other reasonable requirements for a good job.

Now let's talk a bit about culture.

Culture can be informally defined as "the way things work around here." Specifically, it includes the values, beliefs, artifacts and rewards that influence people's day-to-day behavior. When a company's culture is clearly aligned with its business strategy, it attracts people who feel comfortable in it, which in turn should produce a high level of engagement (informally defined as "the way I feel about the way things work around here"). When culture and strategy are aligned, companies can show as much as 50% differential in performance.[1]

Six components of a great corporate culture[2]

> *"…with companies offering similar benefits and salaries that are at least competitive for their respective sizes, recruiters say the thing that sets one business apart from another is that indefinable quality: culture."*
>
> *The Seattle Times, January 2016*

1. **Vision** – Guides a company's values and provides it with purpose, which orients every decision employees make.

2. **Values** – Offer a set of guidelines on the behaviors and mindsets needed to achieve the vision; core of company's culture.

3. **Practices –** The operating principles of daily life in the firm (i.e. policies, procedures, etc.); must be enshrined in values; must be reinforced in review criteria and promotion policies.

4. **People –** Need people who share company's core values or possess willingness and ability to embrace those values to build a coherent culture. Best firms are fanatical about recruiting talent best suited to culture.

    a. Applicants who were cultural fit would accept 7% lower salary.

    b. Departments with cultural alignment had 30% lower turnover.

5. **Narrative –** Crafting narrative based on unique history is core element of culture creation.

6. **Place –** Environment/work space helps shape culture.

A powerful trio: EVP, culture and engagement

So now we've explored the EVP, culture and engagement — an interconnected trio vital to a company's long-range success. And here's where recognition best practices come in, helping to maximize the powerful, positive impact of all three:

- Recognition can shape and reinforce culture — and help implement culture change — by providing the framework and tools to continually reinforce desired values and behaviors.

- To maximize results, companies need the *right* people working together, doing the *right* things to the best of everyone's abilities. Your employee value

[1] Deloitte Development Infographic: Shape Your Culture, Drive Your Strategy. 2016
[2] Coleman, John. "Six Components of a Great Corporate Culture." Harvard Business Review. May 6, 2013.

proposition attracts and retains these "right" people and your recognition best practices continually reflect and reinforce your brand values and behaviors. Best of all, *what is recognized will be repeated.*

When you've inspired your employees through your brand and recognize those who live out your brand, your customers feel it and benefit from it, creating another important reciprocity model.

2. Onboarding: Creating, developing and sustaining employee engagement

Gone are the days when companies expect their new hires to stay for their entire career. Employee turnover is rampant, spurred by a recovering economy, shortage of "knowledge" talent and sophisticated, aggressive online recruiting.

According to the United States Department of Commerce, one-third of new hires who have been in their current job for less than six months are already job searching. 85% of workers expect to be employed by a different company within 18 months. (USDC, 2014).

How to rein in this roving workforce? Many companies are adopting **onboarding engagement strategies** that begin before a person is hired and continue through the first year of employment and beyond.

The main goal of onboarding is simple: to create, develop and sustain employee engagement. The more emotionally connected your employees are to your company and brand, the more likely they are to be happy with their jobs, which leads to other desired results: continuous performance improvement, loyalty and even increased customer satisfaction. When your employees truly embrace your brand, your customers will take notice and follow suit.

Successful onboarding strategies work to meet objectives such as…

- Leveraging and enhancing the enthusiasm that employees feel when they accept the position.
- Setting clear expectations and communicating goals for new hires.
- Shortening the learning curve — getting new employees up to speed and productive in the shortest timeframe possible.
- Monitoring and measuring new employee performance (and proactively responding to any issues).

- Making "socialization" a primary component and gauging employee satisfaction.
- Promoting communication between managers and their employees.
- Facilitating compliance with company policies and procedures.
- Creating an environment where employees envision and strive for future success within the company.
- Maintaining a program that can be easily updated and continuously improved.

Awards make a difference

An analysis conducted by BI WORLDWIDE (BIW) for a major retailer showed that employee recognition with awards helped to reduce turnover — even during the first year of employment (when turnover is generally at its peak). Turnover among those who received no recognition with an award was 61%. But that number dropped by nearly 24% to 46.5% for those who received the highest number of recognitions with accompanying awards.

Recognition plays a vital role in onboarding and it just makes good sense to use the recognition platform you already have in place to support your onboarding goals. Certification and badging, for example, can be used to support learning objectives. And using tangible awards to recognize key behaviors and achievements helps solidify engagement and loyalty for years to come.

3. Results-based recognition

Recognition's positive impact on employee engagement, productivity and retention is well documented and currently demonstrated by some 80% of Fortune 500 companies. Today, leading businesses are taking recognition even further — using it to achieve strategic and/or financial goals.

Known as **results-based recognition**, this methodology delivers incremental value to companies by aligning employee effort with its desired goals. Programs of varying duration are funded by incremental gains to the business. Participants include everyone in the organization who can directly impact the overall goals (individuals and teams; sales and non-sales employees), who earn awards for achieving specific, measurable goals that contribute to the overall goal achievement.

Results-based recognition's success derives from two principles of behavioral economics:

1. **Social Influence**: the social norms of the group influence how we act. Colloquially put: it's best when everyone rows in the same direction.
2. **Idiosyncratic Fit**: employees perceive awards as achievable because they can earn just by doing their jobs a little better.

Case study:
Pharmaceutical company uses results-based recognition to achieve a financial goal.

A leading pharmaceutical company was striving to meet a stretch market share goal for a product that had been on the market for just over a year. BIW designed a program that included not only goals for the territory sales specialists, but also for the entire team that supported the product franchise:

- Clinical research associates had targets for completing the study for an important new indication.
- Manufacturing and supply chain associates had goals related to stocking and product availability.
- Marketing associates had goals related to the development, approval and production of materials to support the sales effort.
- Training associates had goals related to sales training.

A microsite provided updates on progress toward goals, as well as frequent cross-functional news updates. Environmental and electronic communications reminded everyone of the collective goals. Rewards were based on the varying levels of achievement of the stretch objective.

THE RESULTS: Achievement of five of seven functional goals, including two at the "super-stretch" level.

Results-based recognition is ideal for achieving strategic goals in many areas – safety and compliance, idea generation, education/training, productivity, customer service and more. And the benefits are considerable:

1. Your organization collectively benefits from the achievement and collaboration is encouraged.
2. Your employees gain a better understanding of your organization's goals and the behaviors required to meet them.
3. The combination of recognition and rewards leads to maximum engagement of employees at all levels and disciplines.

4. Manager engagement

Do you think managers don't need to be recognized for desired behaviors and performance? **Think again**.

1. Managers account for as much as 70% of the variance in employee engagement scores.
2. Most managers are not creating environments in which employees feel motivated or even comfortable.
3. One in every two people has left a job at some point in their career to escape bad managers and improve their overall life.[3]

Here's more food for thought: An in-depth exploratory analysis of recognition activity conducted by BIW revealed that managers who receive recognition within their first 60 days of employment send 146% more recognitions than managers who aren't recognized in those first few months.

Now let's connect the dots. Managers who are recognized are more likely to become deeply engaged with your organization's brand and values — and lead by example. Engaged managers employ the power of recognition to engage and inspire *their* employees, who in turn recognize *their* peers.

When it comes to engagement, what goes around comes around.

The bottom line? Happy managers foster happy employees, leading to great performances and great results.

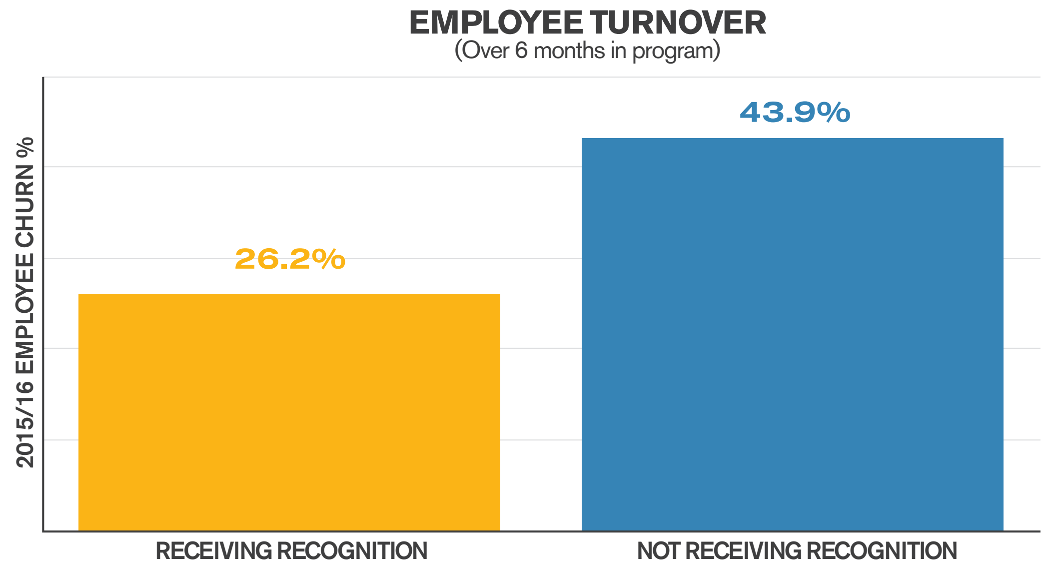
In order to maximize your managers' engagement, make sure to include them in your recognition strategy. And then measure and reward them for behaviors like these:

- **Effective coaching:** Good managers identify and understand their employees' strengths. Through coaching, they can help individuals leverage and build upon these strengths.
- **Talent production:** This is when a manager develops people who leave their team but not the company. This is the opposite of talent hoarding, which is more likely to occur when managers are rewarded only for making their numbers.
- **Frequent and timely recognition:**
    - Research shows that recognition can have a powerful effect on performance. In a BIW analysis conducted for a high-tech client, frequency of recognition proved to have a substantial impact on annual performance evaluation scores. In the group of employees receiving

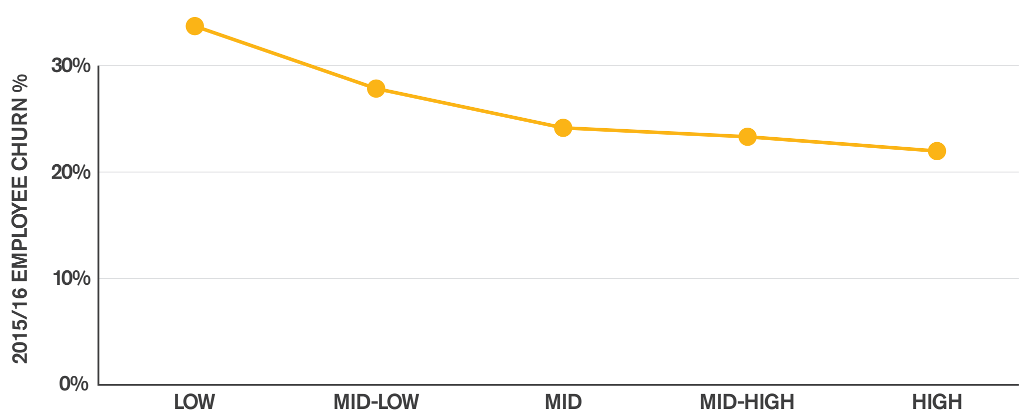
[3] Adkins, Amy and Harter, James. "What Great Managers Do to Engage Employees." Harvard Business Review. April 2, 2015

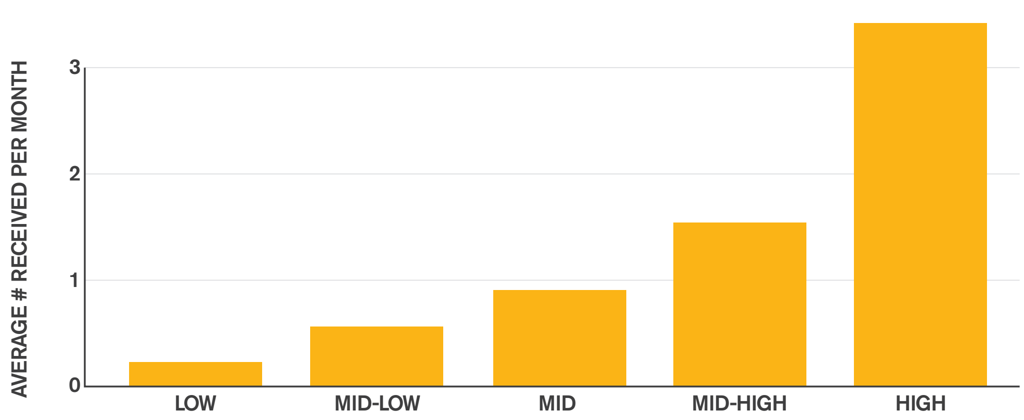
the most recognition, 30% saw an improved annual performance rating compared to only 15% of those who received the fewest recognitions.

- **Reduced turnover:** Another BIW study that measured the effects of recognition on turnover yielded these telling results:
  - Turnover is 17.7% lower among employees receiving at least one recognition throughout their eligible program tenure.



  - There is a correlation between frequency of receiving recognitions and turnover. Employee turnover decreases as frequency of recognitions increases. A 10% reduction in turnover is seen between Low to High receiving rate.

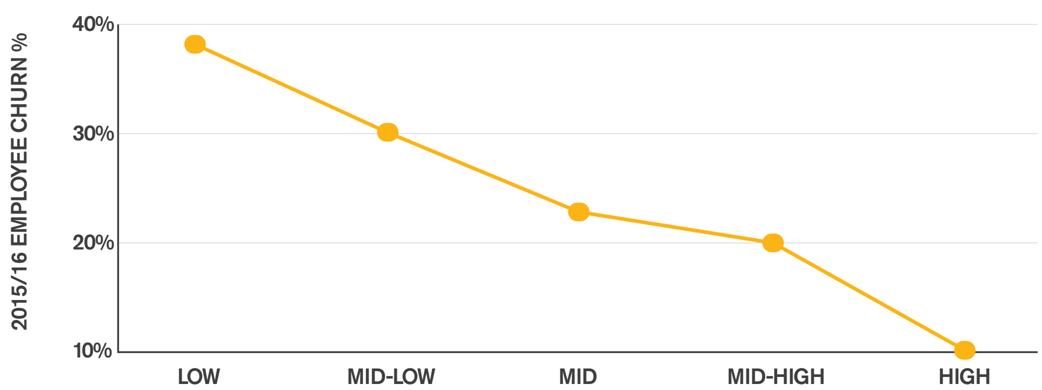


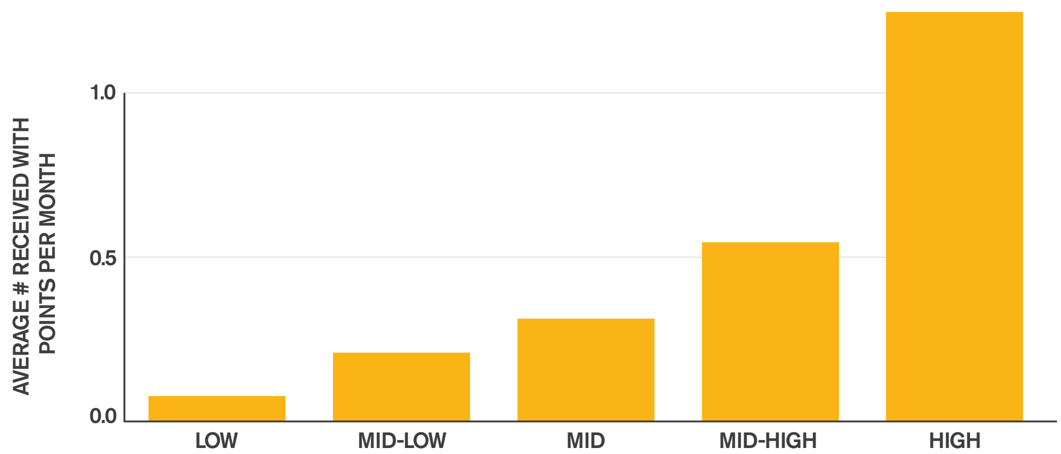


[1] Bersin by Deloitte, *Leadership development factbook 2014.*

[2] Bersin, "Becoming irresistible: A new model for employee engagement," Deloitte Review Issue 16, January 26, 2015

- A positive correlation existed between employee turnover and recognition-receiving rate, driven almost exclusively by those receiving recognitions with awards. Turnover is 4x higher among employees with the lowest 'recognitions with awards' receiving rates compared to the highest rate of receiving recognition with awards.





- **Delivering the right kind of recognition:** A manager's role in recognition is much more than giving offhand compliments.

  In a benchmark study conducted by BIW, 70% of employees say their manager tells them when they've done a good job. However, just over half say they are confident that if they do good work, it will be recognized. This dichotomy seems to indicate that employees view recognition as something more significant than an informal comment from a manager.

  Make sure your managers understand how to use your recognition platform to its fullest advantage. Use training — and recognition — to drive this understanding.

5. Leadership development.

Today, strong leadership development programs are increasingly considered essential at many leading companies. The reason is simple: Companies realize that their leaders are responsible not only for defining and executing the company's strategies, but also for engaging employees.

It's vital that an organization develop the *right* leaders, who do the *right* things.

According to Dr. Brad Shuck, as many as 36% of employees work with leaders whose approach could be described as dysfunctional, exhibiting negative behaviors such as humiliation, insincerity, distraction, avoidance, detachment and dishonesty.

Compassionate leaders, on the other hand, exhibit positive behaviors — such as dignity, authenticity, accountability, empathy and integrity — that have a positive impact on employees: engagement (r=0.38), job satisfaction (r=0.48), discretionary effort (r=0.20), well-being (r=0.32), innovation and creativity (r=0.26) and intent to turnover (r=-0.48).

In short, compassionate leaders create environments in which employees feel comfortable and motivated — leading to increased employee engagement, higher performance and greater business results.

The most effective leadership development programs create, develop and promote compassionate leaders through training and recognition.

- **Competency training:** An essential first step is to identify the competencies expected of leaders and make sure these competencies are clearly communicated. This training can be formal or delivered through coaching/mentoring.

- **Recognition training:** It's critical that leaders understand the power of recognition and how they can use it to engage, reward and inspire their workforce.

- **Recognition of leaders:** Recognition can be used to reinforce desired competencies and behaviors among current leaders — and also among potential leaders — who are vital to an organization's future success. (Recognition's role can be especially powerful when requisite leadership competencies and behaviors are changing — or need to change to move the organization forward.)

Organizations develop strong leaders by reinforcing and recognizing behaviors that support key competencies such as…

- **Communication:** A good leader successfully communicates the company vision, mission and values. He or she inspires employees through both words and actions, easily translating business strategies into meaningful, personal concepts.
- **Coaching:** Effective leaders are good listeners. They get to know their people and work hard to help them thrive and advance.
- **Use of recognition:** Leaders who regularly recognize their employees for their desired behaviors and achievements create an engaged and loyal workforce.

- **Time well spent:** High-impact leadership organizations spend 1.5–3 times more on management development than their peers.[1] This continuous focus on building leaders, connecting leaders to each other, and giving leaders the coaching they need is critical to building a highly engaged workforce.[2]

To learn more about how BI WORLDWIDE can help with your overall employee engagement strategy, visit: biworldwide.com or email info@biworldwide.com.

[1] Bersin by Deloitte, *Leadership development factbook 2014.*

[2] Bersin, "Becoming irresistible: A new model for employee engagement," Deloitte Review Issue 16, January 26, 2015