

Building the Business Case for Social Recognition Solutions

Business Builder









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February 2015

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EXECUTIVE SUMMARY

Employee recognition has a direct impact on business success. According to Brandon Hall Group's recent Employee Engagement survey, recognition is the top driver of engagement. When an organization acknowledges an employee's positive behaviors, that individual is more likely to feel motivated, contribute to organizational performance, and remain productive. Although leading organizations are developing strategies around employee recognition, the key to success hinges on the tools and technology in place that help companies say "thank you" to their employees on a consistent basis. The goal of this report is to help companies build a business case for investing in social recognition solutions by helping to identify the challenges, internal pressures, unique hiring requirements, and key stakeholders. It will outline how an investment in social recognition systems will drive business objectives and improve employee engagement and performance.

AGENDA

-  **Business Need:** What are the top challenges in engagement?
-  **Solution:** What is a social recognition system?
-  **Questions to Consider:** What are the questions organizations must ask themselves before making an investment?
-  **Building a Business Case:** What are the action steps to gain buy-in?
-  **Stakeholder Analysis:** Who are the key stakeholders and what do they need to know?
-  **Metrics:** How do you correlate your technology with your recognition metrics?

BUSINESS IMPACT

Based on Brandon Hall Group's research, organizations investing in social recognition solutions have experienced the following impact on their business objectives:

- ▶ 82% of companies saw an increase in revenue
- ▶ More than 70% of companies saw improved retention rates
- ▶ Companies that invest in social recognition solutions improve employee engagement by 80%

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BUSINESS NEED



- ▶ For most organizations, current engagement strategies are not effective.
- ▶ Organizations must think differently about empowering employees to drive business results.
- ▶ It is critical to invest in solutions that will link engagement to performance.

A well-executed employee engagement strategy can dramatically impact the business by improving retention, performance and productivity. Although many organizations are quickly embracing engagement, designing, and implementing an enterprise-wide program presents a daunting challenge. As a result, engagement levels are in danger and organizational performance is at risk.

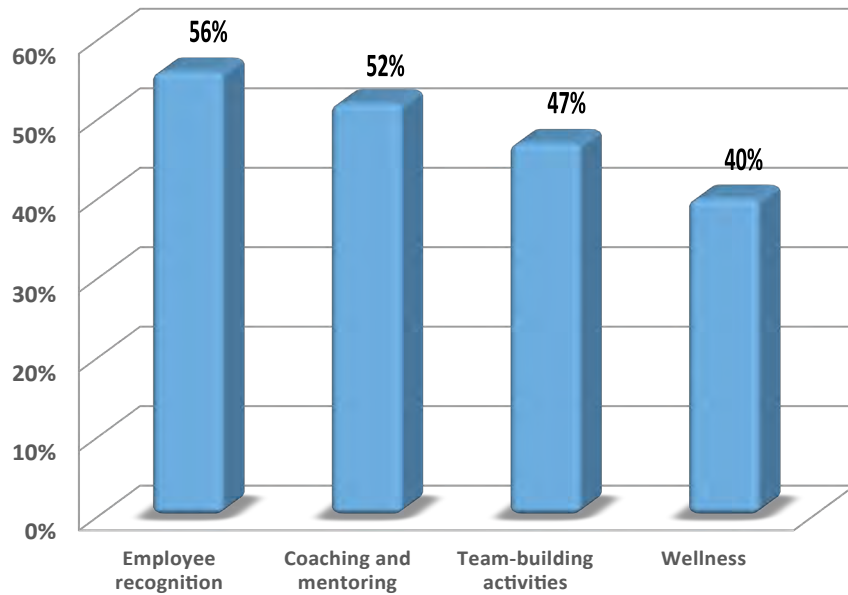
In order for organizations to motivate employees to drive growth, employee engagement needs to be ingrained in the company culture and linked to performance. Currently, the way employers view engagement does not align with how employees experience it. In fact, over 60% of organizations state that employees do not actively participate in engagement efforts.

Although most companies talk about engagement, few have a strategy that extends beyond annual engagement surveys. Only 32% of organizations have a formal strategy. While it is true that these surveys are intended to provide a “pulse” on engagement levels, they are often ineffective. Surveys can help organizations understand engagement in the moment, but they do not provide a long-term vision for what engagement is or should be.

According to Brandon Hall Group’s Engagement research, companies with a formal strategy for engagement cite consistent recognition as the most effective tool. (See Figure 1 on the next page.) When organizations acknowledge employees’ contributions, talents, and skills on a consistent basis, engagement improves dramatically. A social recognition platform enables organizations to create a culture of recognition and make employee success a strategic endeavor.

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Figure 1: The Most Effective Solutions for Driving Employee Engagement



Source: Brandon Hall Group 2014 Employee Engagement Study

Action Items:

Answering these questions will help organizations articulate the business need back to business leaders.



SOLUTION

Key Takeaways

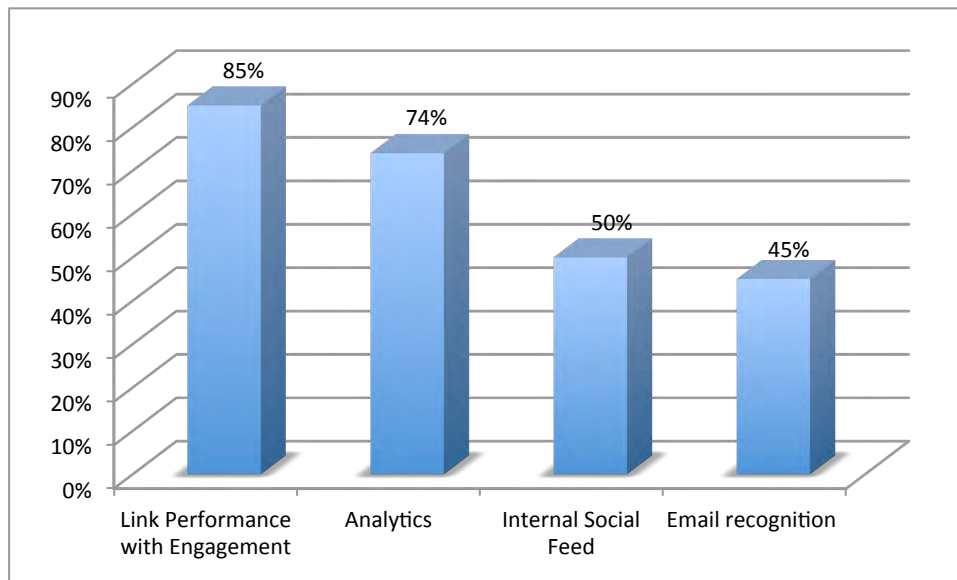
- ▶ Social recognition (peer recognition using a social platform) is now a critical component of any talent management technology strategy.
- ▶ These systems offer advanced capabilities including analytics, mobile capabilities, and integration.
- ▶ Organizations should consider providers that are committed to client success.

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Employee recognition is quickly becoming one of the greatest priorities for talent management technology. In fact, over one-third of organizations plan to increase their investment in recognition over the next year. Many of these organizations are looking at innovative providers that can create an engaged community, build relationships, share success and encourage positive behaviors. These solutions transform the act of recognition from an isolated activity to a critical component of any business strategy.

In order to achieve these goals, social recognition must be part of the solution. Internal social networks offer a platform for employees to recognize the contributions and behaviors of their co-workers. When asked what criteria organizations would like to see from a social recognition provider, the top priorities were linking to performance, analytics and internal social feeds (See Figure 2).

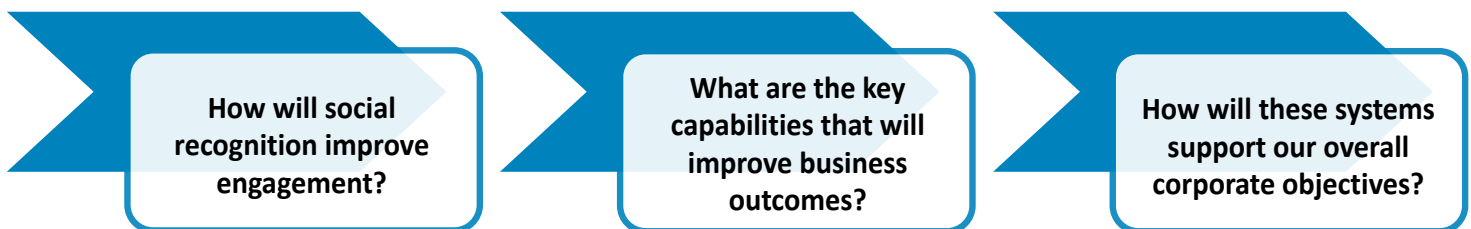
Figure 2: Critical Capabilities for a Social Recognition Provider



Source: Brandon Hall Group 2014 Employee Engagement Study

Action Items:

Answering these questions can help companies clearly articulate how this solution will enable business outcomes.



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QUESTIONS TO CONSIDER

With an investment in a social recognition provider, organizations will need to consider the following questions related to resources.

Budget

- ▶ What is our budget for social recognition technology?
- ▶ How will this compare with our existing budget for HCM technology?

Determining the organization's social recognition budget is critical before moving forward with selection. Yet, it is also complicated. Companies must consider if this is part of a broad HCM budget or if it falls under talent management or compensation and benefits. Also, most budgets are disparate since managers use their corporate credit card and give out gift cards. Finance has no insight into what is actually being spent. Consolidating budgets with a provider actually saves the company money and provides a direct correlation to business results. Companies must also distinguish between rewards and recognition. Although often used simultaneously, rewards and recognition are two distinct processes.

- **Rewards.** Providing employees with monetary or in some cases, non-monetary incentives for accomplishing performance goals
- **Recognition.** Acknowledging an employees' contributions, talents and skills on a consistent basis

Pricing

- ▶ What is the pricing model available to us (pay per user, subscription model, licensing model, implementation fees, etc.)?
- ▶ What happens if the price escalates after the first year?
- ▶ What do we pay for monetary and non-monetary incentives and is social recognition free?

After determining the budget, understanding pricing options is a critical component for selecting a social recognition provider. Many organizations confuse social recognition with "free recognition," which is not always the case. Since many factors influence pricing, it is nearly impossible to compare different pricing models for these systems. The most important thing that companies need to be aware of is what they are spending for every aspect of product capabilities, implementation, and upcoming releases. Organizations can combat this challenge by asking very detailed questions about pricing. They also must plan for additional costs, such as implementation services, training, or additional users. They must think differently about recognition and realize that an investment in software will be different than an investment in rewards, and will provide far greater results.

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Implementation

- ▶ Do we need third-party support for implementation?
- ▶ What is a realistic implementation timeframe?
- ▶ Do we need a global implementation strategy?

Implementation is challenging for many companies and frustrating when you have expectations about when and how you will be able to use your system. Companies must develop a plan for rolling-out their technology – possibly by region or by business unit. Companies must be prepared before making an investment with additional resources available, if needed. For companies investing in social recognition, implementations are quicker and less costly than most other areas of HCM technology.

Alignment

- ▶ How will this system align and support other talent initiatives including employee referrals, wellness and safety?

Considering alignment is critical when evaluating social recognition providers. Organizations should consider how these platforms can support and integrate with performance, wellness and employee referrals as a few examples. For example, employees can share on their social recognition platform if they have achieved their performance goals for the year.

Metrics

- ▶ How do you measure the real impact for your organization?
- ▶ How will this system enable engagement, retention, and productivity?

Metrics include business metrics such as engagement, performance and productivity. For a better understanding of what measurements to consider and how to translate these metrics to business leaders, please see the “Metrics” section below in this report.

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BUILDING A BUSINESS CASE

Based on qualitative and quantitative research, Brandon Hall Group identified several critical steps for building a business case and moving forward with a social recognition investment.

- **Identify a Champion.** Organizations tend to struggle with clearly articulating and quantifying the value that they will receive from the investment. They should consider including a senior leader to champion the initiative and the funding request as a way to help to bridge the gap between the business and HR.
- **Build Your Internal Team.** In order to evaluate and select a technology solution, organizations must identify a “selection committee” responsible for creating RFPs, scheduling demos and evaluating providers. For many organizations, IT professionals, procurement professionals, HR professionals and business leaders are often included in these meetings.
- **Create a Timeframe for Selection.** Ensure that the selection process has a realistic timeframe that fits in with overall organizational projects and objectives. Companies should also consider when their HRMS system is due for an upgrade or renewal. If IT has several other selection projects in place, a social recognition investment may need to adjust its timeframe.
- **Identify a List of “Must-Haves”:** Organizations need to consider their unique needs before investing in a social recognition system and determine their “must-haves” and “nice-to-haves” when selecting a system. Organizations will typically identify “must-haves” in terms of functionality, technical requirements and solution provider viability. This is not meant to serve as a list of requirements but rather a general understanding of what priorities are in place depending on their line of business, size and geography. Organizations can accomplish this by creating a list of business scenarios important and asking solution providers to demonstrate how they address each scenario.
- **Measure the Effectiveness.** Although most organizations will be able to determine the effectiveness shortly after going live with their system, companies must define the metrics for success prior to selection. Organizations need to continually evaluate and measure this efficiency to make a case for this system. The most common metrics measured for a system include engagement, performance, retention and productivity. After implementation, adoption and frequency of recognition are the most common metrics.
- **Develop a Change Management Strategy.** Any technology change typically requires some level of change management. It provides a transition to the future state and for some organizations this can involve moving from a paper-based process and for others, moving off of a legacy system. In most cases, change management begins at the leadership level and requires strong communication to employees expected to use the system. A successful change management program will have a tremendous impact on adoption rates.
- **Begin Communication.** A communication strategy should be developed to articulate the need for the technology investment with key stakeholders and overall business leaders. This communication strategy should be revisited regularly through the selection process as well as implementation.

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STAKEHOLDER ANALYSIS

Social recognition involves several key stakeholders including HR, business leaders, and compensation and benefits. Managing these relationships and understanding their interaction across key practices is a critical part of any recognition strategy. More importantly, it is critical when investing in a social recognition system. These different stakeholders evaluate the impact of social recognition in different ways, and communicating with them requires a focus on different metrics. The following is a list of key players, their roles in evaluating systems, and the critical metrics that must be tracked in order to help them see progress.

| Stakeholder | Interests | Metrics | Translating Metrics |
|----------------------------------|---|--|---|
| HR Professionals | Integration, Analytics | Performance, Productivity, Retention, Engagement, Adoption, Rates, Usage | <p>HR professionals want a strong correlation between recognition and performance. This technology should provide HR leaders with the information needed to report these metrics to the business.</p> <p>HR leaders are also responsible for adoption and usage. Through our qualitative and quantitative research, adoption rates for social recognition are significantly higher than other areas of HCM.</p> |
| IT Professionals | Integration, Security, and Technical Performance/ Scalability | Adoption Rates Platform Up Time Security | Social recognition systems typically have high adoption rates compared to other enterprise systems. IT departments are often responsible for training users on adopting these systems and will need to plan accordingly. Additionally, they will need to know what the most effective sourcing channels are in order to streamline the number of tools and ensure the technology in place is driving results. |
| Managers | Analytics, Ease of Use, Mobile | Engagement, Productivity, Performance, and Retention | Managers often lack the tools and resources they need to engage and recognize employees. Managers will want to invest in a system that is easy to use and mobile accessible. |
| Compensation and Benefits | Analytics, Adoption, and Ease of Use | Engagement, Productivity, and Performance | <p>Traditionally, recognition was owned by compensation and benefits departments.</p> <p>Today, an investment in a social recognition provider is part of a broader talent management strategy. While compensation and benefits may influence that decision, it typically does not drive it. These professionals will be most interested in ease of use, adoption and analytics.</p> |

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METRICS

Defining metrics to evaluate technology is a challenge. It may seem clear why performance, productivity, and engagement are important, but how can organizations ensure their solutions are improving these areas? Here are a few ideas for correlating your technology with your recognition metrics. Organizations should define the metrics they want to track in advance and determine how to communicate these metrics with key stakeholders.

| Metrics | Business Impact | Benefits of Technology |
|------------------------------|---|--|
| Performance | Measuring both employee performance and company performance | Companies must link recognition to individual performance as well as align the goals of recognition with organizational performance. Performance is often measured by operational metrics including sales, production and customer satisfaction. |
| Productivity | Measuring employee productivity | Productivity is measured by the ratio of the volume of output to the volume of input and typically incorporates hours worked, number of employees and project timeframes. The link between engagement and productivity is inherent. If employees are engaged in their workforce, they will feel a greater obligation to increase their production. |
| Engagement | Measuring employee engagement | Organizations must clearly identify metrics for engagement and measure the process regularly. When determining the metrics used to measure engagement, organizations should ensure that these metrics align with business metrics. |
| Retention | Measuring retention rates for new hires and employees | Companies can offer tools to socialize new hires and employees in the company culture – ensuring their satisfaction and retention. |
| Adoption Rates | Measuring the adoption of technology by managers and employees | Companies can offer managers and employees intuitive, easy-to-use and innovative solutions that improve overall adoption. |
| Customer Satisfaction | Measuring the correlation between customer satisfaction and employee engagement | Companies that have recognize employees and improve engagement are able to increase customer satisfaction and organizational growth. |

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ABOUT BRANDON HALL GROUP

Brandon Hall Group is a HCM research and advisory services firm that provides insights around key performance areas, including Learning and Development, Talent Management, Leadership Development, Talent Acquisition and HR/Workforce Management.

With more than 10,000 clients globally and 20 years of delivering world-class research and advisory services, Brandon Hall Group is focused on developing research that drives performance in emerging and large organizations, and provides strategic insights for executives and practitioners responsible for growth and business results.

At the core of our offerings is a Membership Program that combines research, benchmarking and unlimited access to data and analysts. The Membership Program offers insights and best practices to enable executives and practitioners to make the right decisions about people, processes, and systems, coalesced with analyst advisory services which aim to put the research into action in a way that is practical and efficient.

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