Making Recognition and Rewards Matter: *Five Practices to Drive Better Business Results*

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Introduction

KEY POINT

Based on extensive research, we identified 14 drivers of employee recognition that impact business outcomes.

As organizations try to drive greater productivity, many leaders have wondered if it is possible to mitigate the effects on employee engagement of fewer compensation increases, longer work hours and reduced promotion opportunities. An increasing number of organizations have tried to step into the breach by focusing on employee recognition, as it enables them to show employees that they are still valued, even if they are not being recognized through significant increases in pay. Our research shows that, when recognition is used appropriately, it can have an impact on employee engagement.

However, there are a myriad of ways to recognize employees and not all recognition approaches are created equally. The question that leaders need to know the answer to is, which way is the best? This report is designed to answer precisely that question by identifying the best practices of employee recognition.

Based on extensive research, we identified 14 drivers of employee recognition that impact business outcomes.[1] Using both these drivers and the findings from many interviews, we determined the five best practices that the most successful organizations use. At a high level, most of these practices are intuitive. However, as you dig into them, there are many elements included within each practice that you may not have thought mattered or even considered previously. Our hope is that these practices will provide both more depth and clarity to your understanding of how employee recognition works most effectively.

Yet, we know that best practices are not necessarily enough. Many readers will read the five practices and feel that small moment of panic when they think to themselves, "How in the world could I get my organization to do all of these things?" To help you understand how to do this, we developed our Bersin & Associates Employee Recognition Maturity Model®, which describes the different phases through which organizations move on their way to increasing levels of recognition effectiveness. With the Maturity Model, we hope you will identify your organization's current level of maturity and determine the appropriate

1 As measured by employees' engagement levels and the organization's level of customer satisfaction, cost structure as compared with competitors, market leadership position and profitability (as compared with the previous year).

KEY POINT

The Bersin & Associates Employee Recognition Maturity Model® is your roadmap to implementing the five recognition best practices.

approach for moving up to the next level. The Maturity Model is your roadmap to implementing the five recognition best practices.

This report is unique among Bersin & Associates studies in that it is primarily based on data from employees, not HR professionals. Our belief is that employees are the ones who experience recognition and whose opinions matter most when assessing its effectiveness. Therefore, while we constantly considered the input from HR professionals and reference data from them, the spirit of this report comes from employees. The best practices are ones that employees say work.

If you would like additional material on employee recognition, we encourage you to check out the *Bersin & Associates Employee Recognition Framework*[2], which walks through the process of creating a comprehensive recognition strategy and program, and the *State of Employee Recognition in 2012*[3], which provides benchmarking on employee recognition.

As always, we welcome you to continue the dialogue with us. If you have comments or see areas that you would like to further explore for your organization, please contact us at info@bersin.com or at 510-251-4400.

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2 For more information, *The Bersin & Associates Employee Recognition Framework: A Guide to Designing Strategic Recognition Programs*, Bersin & Associates / Stacia Sherman Garr, April 2012. Available to research members at www.bersin.com/library.

3 For more information, *The State of Employee Recognition in 2012,* Bersin & Associates / Stacia Sherman Garr, June 2012. Available to research members at www.bersin.com/library.

Top Five Findings

1. Seventy-One Percent of Highly Engaged Employees Work in Organizations in Which Their Peers Are Recognized Monthly or More Frequently

KEY POINT

Seventy-six percent of employees who stated their peers are recognized monthly or more frequently also indicated that their organizations have some type of recognition program.

Highly engaged employees work at organizations in which their peers are encouraged and commended for their accomplishments. This recognition does not occur on its own, though. Seventy-six percent of employees who stated their peers are recognized monthly or more frequently also indicated that their organizations have some type of recognition program. These programs are important to creating an environment in which highly engaged people work.

2. When Senior Leaders Provided and Recognized Achievement of Goals, the Organization Was Nine Times More Likely to Have Strong Business Results

Senior leaders have to be involved in providing organizational direction and recognizing progress. This is especially important for employee recognition, because senior leaders are effectively setting the criterion that determines what types of behaviors and achievements should be recognized. Organizations, in which senior leaders communicate and model the behaviors they expect of employees, provide information to employees about critical organizational decisions, communicate the organization's goals, and recognize employees' achievements, dramatically outperforms those companies in which this does not occur.

3. Organizations Highly Effective at Integrating Technology into Recognition Were Three Times More Likely to Report Strong Business Results

Technology can make recognition more accessible to employees, enable organizations to flex their recognition programs to fit the different business units' needs and results in more frequent recognition. For example, employees at organizations that leverage recognition software were much more likely to report that recognition occurs monthly or more often. This is good news, because when employees indicated recognition occurs frequently, the organization was approximately 1.5 times more likely to be in the top quartile of business performance.

4. Technology Should Be Integrated into a Holistic Recognition Approach

Though there are significant benefits to using employee recognition software, it is not a magic bullet. Instead, it should be integrated into an overall approach that includes praise and emblematic recognition, token rewards and monetary rewards. Those organizations that are highly effective at deploying each of those recognition approaches are 2.8, 4.4 and 3.5 times more likely to be in the top quartile of business performance, respectively. Further, organizations need to ensure that the recognition provided to employees is valued and perceived as prestigious.

ANALYSIS

Organizations that can effectively execute the five employee recognition best practices are at the highest level of organizational maturity and are, by far, the most likely to have the strongest business performance.

5. Organizations at the Highest Level of Recognition Maturity Are Nearly 12 Times More Likely to Have Strong Business Results

Organizations that can effectively execute the five employee recognition best practices are at the highest level of organizational maturity and are, by far, the most likely to have the strongest business performance. Within our survey, this represents approximately 20 percent of organizations. At the lowest level of recognition maturity, it is nearly impossible for an organization to score in the top quartile of business performance. However, once an organization begins to move into Levels 2 and 3 of maturity, their likelihood of having strong business results improves remarkably.

Recognition Overview

Over the past year few years, the volatile economy forced many organizations to do more with less. As a result, businesses sought new ways to innovate and grow without increasing costs. To better motivate and retain employees during these trying times, many organizations turned to employee recognition.[4] The underlying idea was that employees' engagement and retention rates would be improved, or at least would not worsen as severely as they would have otherwise, by leveraging a variety of non-compensation-based recognition approaches. But does this approach actually work?

The Business Case for Employee Recognition

KEY POINT

Seventy-one percent of highly engaged employees work in organizations at which their peers are recognized monthly or more frequently.

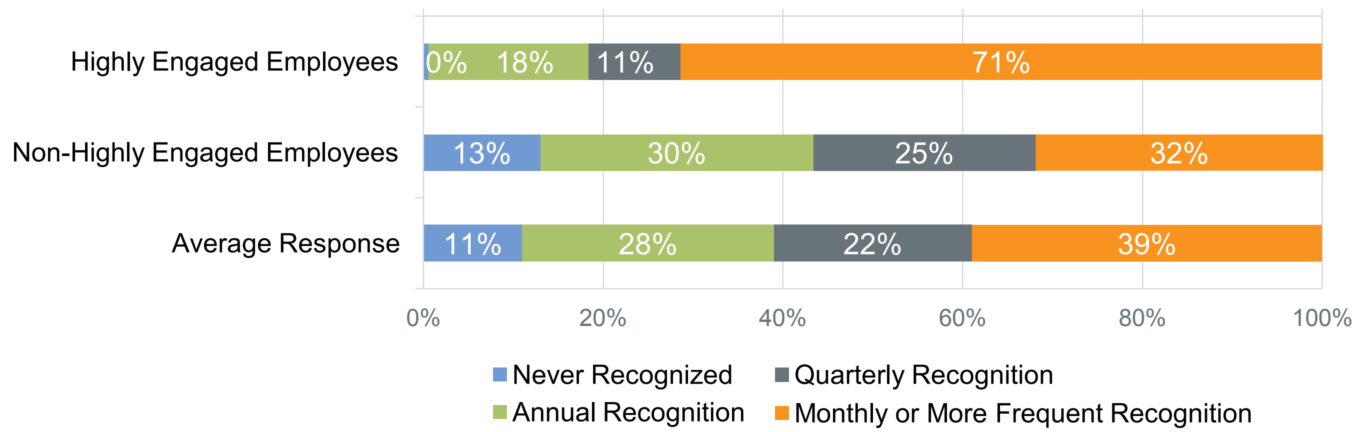
We can say yes, assuming some conditions are met. As we have noted in other research[5], employees first need to have their most basic needs met (e.g., they are paid a fair and competitive wage vis-à-vis the external market). No amount of recognition will keep employees at your organization if they cannot do things such as pay their mortgages or put a meal on the table.

Assuming those needs are met, our research shows that employee recognition can make a difference. For example, we found that 71 percent of highly engaged employees work in organizations at which their peers are recognized monthly or more frequently (see Figure 1). In the average organization, this number drops to 39 percent. Clearly, the most engaged employees work in cultures where employees' contributions are appreciated and encouraged.

4 "Employee recognition" is the expressed appreciation by one person to another for that person's behaviors, activities or impact. Recognition may or may not be accompanied by a physical or financial reward.

5 For more information, *The State of Employee Recognition in 2012*, Bersin & Associates / Stacia Sherman Garr, June 2012.

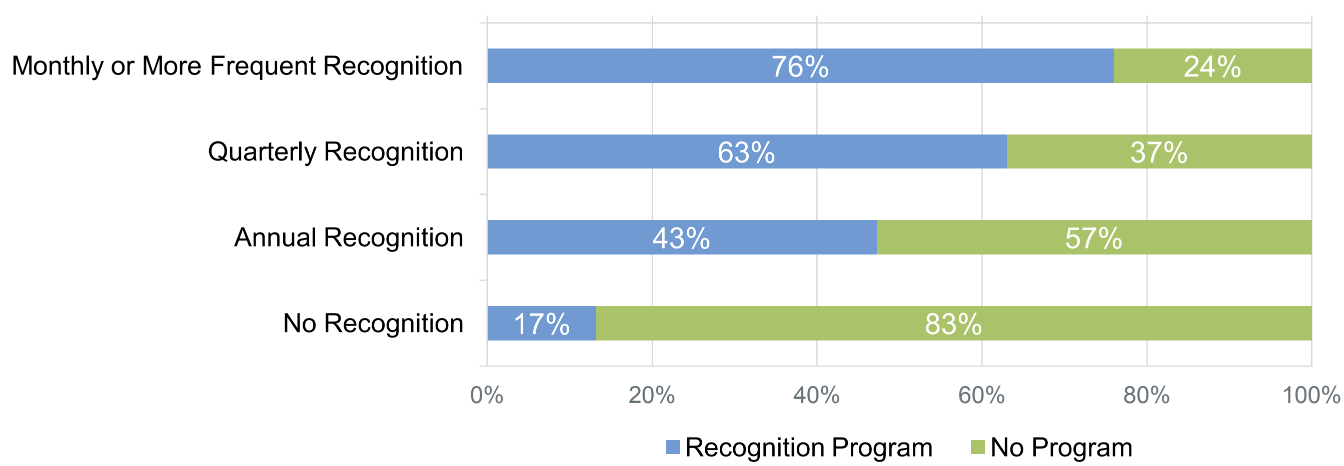
Figure 1: Frequency of Employee Recognition as Compared with Employees' Level of Engagement



Source: *Bersin & Associates, 2012.*

Recognition programs are a critical element to ensuring that recognition takes place. In Figure 2, we show that employee recognition occurs more frequently when the organization offers a recognition program.

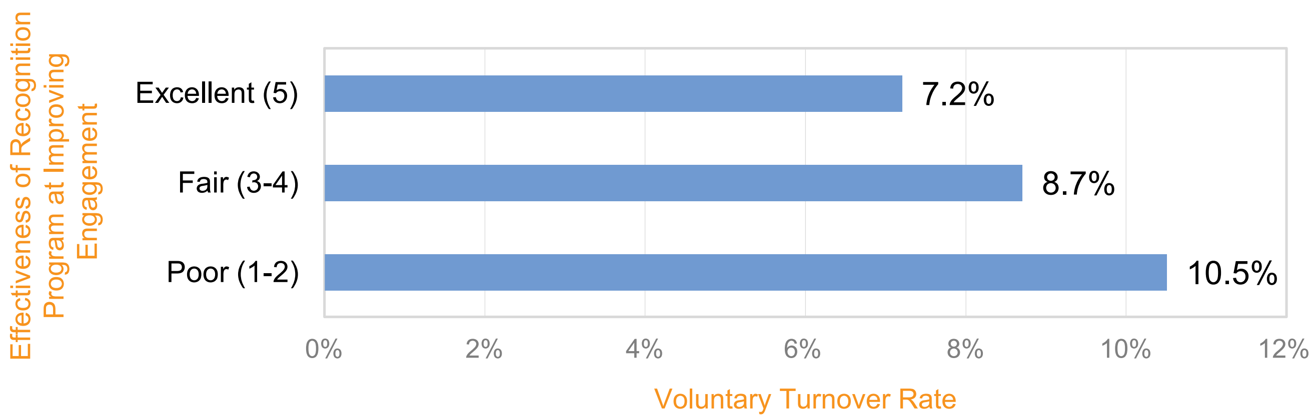
Figure 2: Frequency of Recognition – Based on Existence of a Recognition Program



Source: *Bersin & Associates, 2012.*

Not all types of recognition work equally well. The most effective programs are those targeted at improving employee engagement. Organizations with programs most effective at doing this reported a 31 percent reduction in voluntary turnover (see Figure 3). This finding makes sense in light of the fact that U.S. Department of Labor research found 64 percent of working Americans leave their jobs because they do not feel appreciated.[6] Increasing the frequency and effectiveness of recognition has a relationship with retention – and can, therefore, make a difference to the bottom line.

Figure 3: Turnover Rates – Based on Effectiveness of Employee Recognition Programs at Improving Employee Engagement[7]



Source: *Bersin & Associates, 2012.*

6 Source: http://www.forbes.com/2007/09/13/workplace-careers-recognition-lead-careers-cx_mk_0913robbins.html.

7 For demographic data on the HR survey sample, please see, *The State of Employee Recognition in 2012,* Bersin & Associates / Stacia Sherman Garr, June 2012.

The Five Best Practices of Employee Recognition

There are a myriad of approaches to employee recognition. The question we wanted to answer with this research is – which ones are most effective? As you might surmise, this is not necessarily an easy question to answer. Therefore, in the following section, we walk through our process for identifying the best practices and then discuss each of the five practices in detail.

Developing the Best Practices

KEY POINT

We asked 261 employees 140 questions about the recognition practices in place at their organizations.

We asked 261 employees 140 questions about the recognition practices in place at their organizations. We focused specifically on the responses from employees whose organizations have at least one employee recognition program. *(For more information on methodology, see section, "Appendix II: Methodology.")*

Defining Success

With any type of study, one of the most important decisions is determining how to measure success. For this research, our success measure is an index designed to measure business performance (known as the "Business Performance Index" or BPI). The BPI is comprised of employees' responses to questions on the following:

- Employees' own level of engagement (as measured by four separate questions and then averaged into a single variable)
- Employees' organization's:
  - Level of customer satisfaction
  - Cost structure as compared with competitors
  - Market leadership position
  - Profitability (as compared with the previous year)

Each survey respondent's BPI score was the average of these individual variables.

Identifying Critical Factors

We then analyzed employees' responses to the 140 questions on employee recognition. We first identified the responses that positively correlated with the BPI. We then determined which ones grouped, or "factored," together in a way that was statistically significant and from which we could identify insightful information. This analysis revealed 14 factors that account for approximately one-half of the outcomes within the Business Performance Index (see Figure 4).

Figure 4: The 14 Factors of Employee Recognition

Themes	Factors
How Recognition Occurs	1. **Employee Recognition Frequency** – The frequency with which employees are recognized. 2. **Ease and Flexibility of Recognition** – The effectiveness of the organization at enabling employees to easily recognize each other, recognize peers and express different levels of appreciation. 3. **Recognition Technology** – The organization's effectiveness at enabling employees to access the recognition program using computer, mobile or social technology.
What Is Recognized	4. **Company-Focused Recognition** – Whether or not employees are recognized for achieving company goals and displaying company values. 5. **Special-Project Recognition** – Whether or not employees are recognized for achieving goals for special projects.
What Recognition Provides	6. **Valued Rewards** – The effectiveness of the organization at providing high-quality rewards, which have a financial value, and enabling employees to choose rewards that matter to them. 7. **Prestige** – The effectiveness of the organization at making recognition prestigious, enabling employees to see who else is recognized and to share that recognition outside the organization, and providing specific recognition. 8. **Token Rewards** – The frequency with which the following recognition activities occur: • Holding recognition events • Giving gift cards • Giving other gifts • Giving low-value cash awards • Giving points

Source: *Bersin & Associates, 2012.*

Figure 4: The 14 Factors of Employee Recognition (cont'd)

Themes	Factors
Recognition Types	9. **Non-Monetary Recognition** – The frequency with which the organization provides public, non-monetary recognition and gives employees paid days off.[8] 10. **Formal Public Recognition** – The frequency with which employees nominate each other, the organization provides companywide awards and employees receive public recognition that includes a monetary element.
Recognition Environment	11. **Senior Leaders** – The effectiveness of senior leaders at communicating desired behaviors, modeling those behaviors, recognizing employees, communicating the organization's goals and providing relevant information to employees. 12. **Managers** – The effectiveness of managers at knowing how employees like to be recognized. 13. **Teams** – The extent to which employee teams have a strong sense of community. 14. **Goals** – The extent to which employees understand how their work connects to theorganization's goals, believe their teams' goals are clear, and understand the connection between their teams' and organization's goals.

Source: *Bersin & Associates, 2012.*

Which Factors Matter Most

KEY POINT

These 14 factors account for approximately one-half of the variability in organizations' business performance.

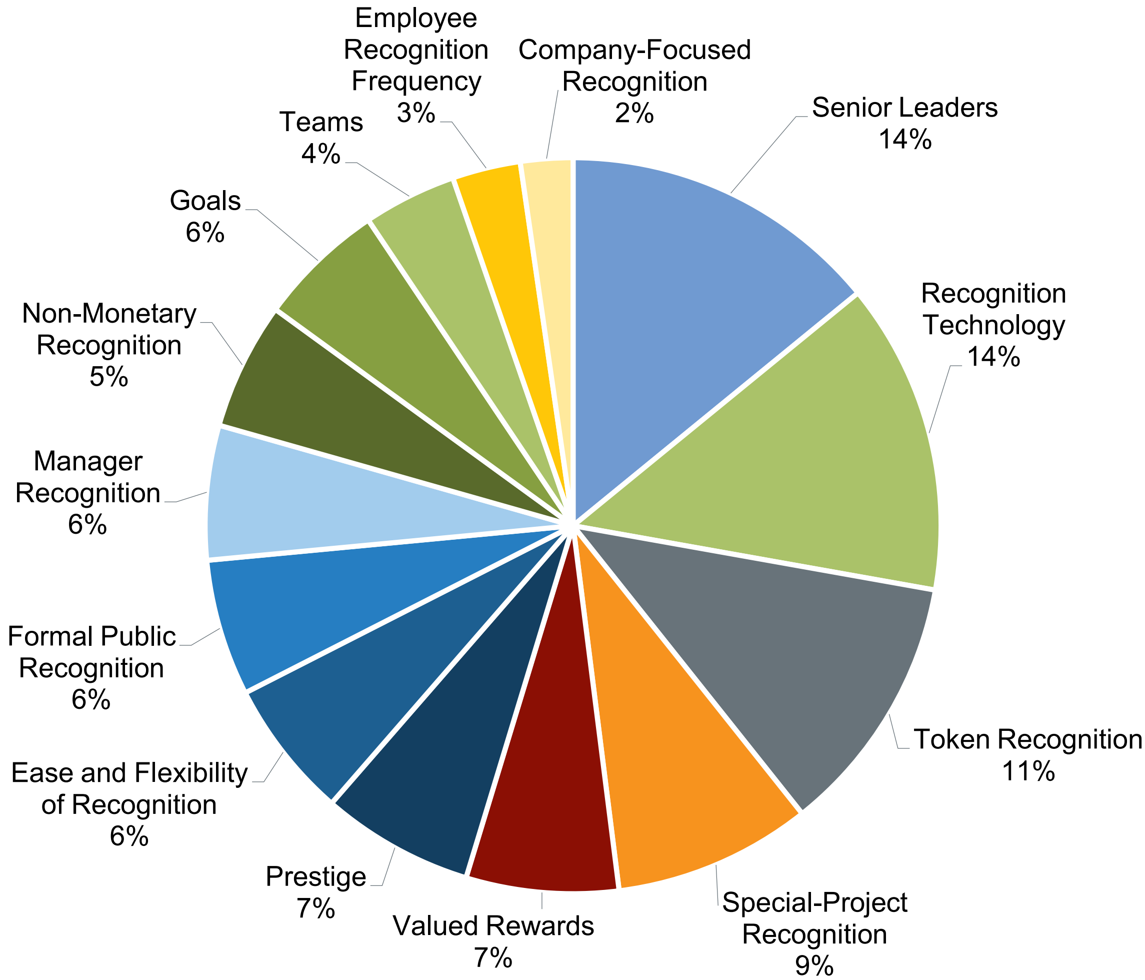
As previously mentioned, these 14 factors account for approximately one-half of the variability in organizations' business performance.[9] Yet, as with so many things, not all of these factors were created equally – some matter more than others.[10] In Figure 5, we have identified which factors are the most important, based on the percentage of variability within the BPI for which each factor accounts.

8 Even though paid days off do have a financial value, our analysis shows that most employees do not seem to see this as a form of financial recognition.

9 Our "Business Performance Index" (BPI) is comprised of employees' responses to four questions about their own level of engagement, and four questions about their organization's level of customer satisfaction, cost structure as compared with competitors, market leadership position and profitability (as compared with the previous year).

10 To do this, we conducted a Relative Weight Analysis, which showed us the relative importance of each factor in influencing the outcome of the Business Performance Index. See section, "Appendix II: Methodology," for more information.

Figure 5: Relative Weights of the Recognition Factors as a Percentage of Variability



Source: *Bersin & Associates, 2012.*

There are two important things to note here. First, all of the factors listed above matter to improving business performance. Second, many of these factors are interrelated to one another. Therefore, it does not make sense to talk about each factor separately but, rather, to group them into larger practices. Despite the fact that each individual factor has its own score, as you read the following section, keep in mind that all of these practices work together to influence the organization's BPI score.

The Five Practices

Practice 1: Senior Leaders, Goals

Combined Relative Weight: 19.7%

1. Set the Tone for Recognition with Senior Leaders and Clear Goals

In previous research[11], employees reported that a lack of senior leader recognition did not factor substantially into whether they recognize their peers. This opened up the possibility that perhaps senior leaders were less important to employee recognition than we would have assumed. The analysis for this study, however, reveals that senior leader involvement (in the form of both recognizing employees and setting a clear direction for the organization) is critical. In fact, when employees gave their organizations' senior leaders high marks, those companies were more than nine times more likely to be in the top quartile of business performance.

KEY POINT

When employees gave their organizations' senior leaders high marks, their company was more than nine times more likely to be in the top quartile of business performance.

So why the apparent contradiction? There are two reasons. First, many of the top reasons employees report that they do not recognize each other (such as there being no clear way to recognize peers and a fear of singling out individual colleagues[12]) can actually be traced back to a lack of senior leader support for recognition. When leaders fail to support recognition, there is insufficient clarity about what behaviors or accomplishments to recognize, resulting in a fear of doing it incorrectly. Thus, the lack of senior leader support is actually a root cause of the primary challenges employees report they face – employees just do not see it that way themselves because they lack the proper perspective.

Second, when it comes to employee recognition, senior leaders' roles extend beyond the visible recognition of employees. There are actually four other recognition-related activities – each of equal importance – in which senior leaders need to engage (see Figure 6). When senior leaders exhibit all of these elements, the organization is more likely to have a culture in which employees know what is expected of them and their colleagues. In such an organization, employees feel more comfortable recognizing each other.

11 For more information, *The State of Employee Recognition in 2012,* Bersin & Associates / Stacia Sherman Garr, June 2012.
12 Ibid.

Figure 6: Top Five Senior Leader Recognition Activities

1. Senior leaders recognize employees for engaging in expected behaviors
2. Senior leaders model the behaviors which they expect employees to use on the job
3. Senior leaders communicate the behaviors that they expect employees to use on the job
4. The organization provides employees with enough information about critical organizational decisions
5. Senior leaders clearly communicate the organization's goals

Source: *Bersin & Associates, 2012.*

KEY POINT

In addition to focusing on senior leaders' transparency regarding goals and behaviors, organizations also need to ensure goal clarity throughout the organization and especially with teams.

All of the factors in Figure 6 are related to ensuring that senior leaders are transparent about what they expect from employees. Together, they are a very significant driver of business outcomes (accounting for 14 percent of the variability).

In addition to focusing on senior leaders' transparency regarding goals and behaviors, organizations also need to ensure goal clarity throughout the organization, and especially with teams. We found that organizations were four times more likely to be in the top quartile of the Business Performance Index if employees felt strongly that:

- Team goals are clear to members of those teams
- The connection between team goals and the organization's goals are clear for employees
- Employees understand how their work connects to the organization's goals

We should not be surprised by the large impact of transparency regarding information, behaviors and goals on business performance. Without this type of transparency, employees lack sufficient information about the organization's overall direction, and recognition of (unclear) goal achievement will appear inconsistent and lack value. Therefore, the most important best practice for employee recognition is senior leaders taking the lead on ensuring that employees understand the organization's goals and desired behaviors. They should also serve as active role models of those behaviors and recognize employees for their achievements.

Practice 2: Recognition, Company Goal Recognition, Company Values Recognition

Combined Relative Weight: 15.1%

2. Create Clear Recognition Criteria by Recognizing Employees for Accomplishing Special Projects, Company Goals and Demonstrating Company Values

Historically, one of the greatest challenges with employee recognition was inconsistency. For example, one division leader may emphasize the importance of employees completing tasks very quickly, whereas another leader in the group recognizes employees for creating an innovative product, even if it is delivered late. This type of inconsistency has been the Achilles' heel of employee recognition, preventing organizations from using it as a strategic tool of talent management.

We wanted to understand if there are specific activities that should be recognized. We found that organizations with the highest BPI scores consistently recognized employees for the following three accomplishments:

- Reaching goals on a special project
- Achieving company goals
- Demonstrating company values[13]

KEY POINT

When employees feel that their teams have a strong sense of community, their organizations were four times more likely to be in the top quartile of the Business Performance Index.

Organizations should recognize these accomplishments because they have clear criteria and it is relatively easy to determine if an employee has met them. Failing to set unmistakable criteria is problematic because it can leave recognizers open to criticism that they are playing favorites. We know that this potential criticism is a primary reason why employees do not recognize peers.[14] Specifically, one in three employees states that he / she does not want to recognize individual colleagues due to a fear of disrupting the team's dynamic. That team dynamic is important, as employees who feel that their teams have a strong sense of community work at organizations that were four times more likely to be in the top quartile of the Business Performance Index. Thus, encouraging employees to recognize achievement on special projects, organizational

13 This is based on our analysis of both HR and employee data. These are the three accomplishments that correlated to a high score on the BPI within both sets of data.

14 For more information, *The State of Employee Recognition in 2012*, Bersin & Associates / Stacia Sherman Garr, June 2012.

goals and organizational values is an important element of an employee recognition program.

The Meridian Credit Union case in point illustrates how one organization has created consistency in its recognition approach.

Case in Point: Meridian Sees Results from Aligning Its Recognition Program to Its Values and Brand

Meridian, one of Canada's largest credit unions, has a talent management strategy based on the premise that engaged employees lead to engaged credit union members (e.g., customers), which ultimately drives profit and sustainable growth. Furthermore, the company believes that, when employees are recognized for desired behaviors, they are more likely to repeat these behaviors, which results in and sustains high organizational performance.

To improve its recognition efforts, the organization created a new program, "iApplaudu@Meridian." The program criteria include behaviors aligned to the organization's values and brand (e.g., providing superior, personalized service to colleagues or customers), performance (sales incentives), employee referrals and tenure anniversaries.

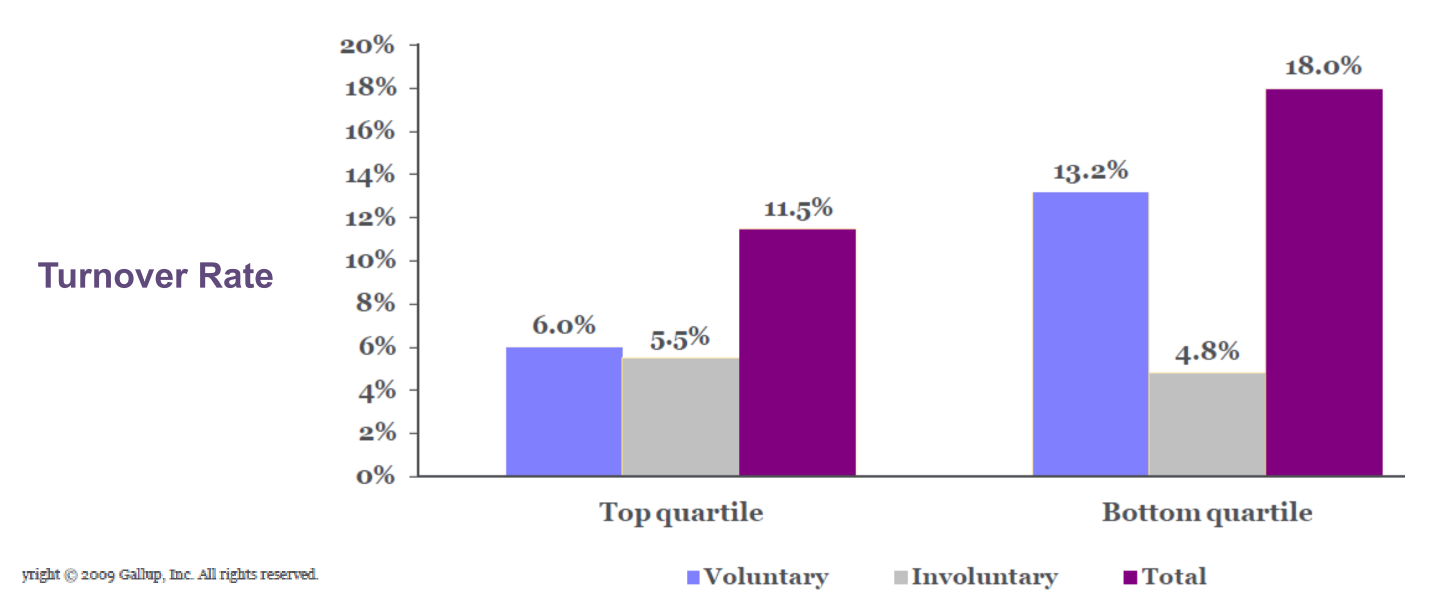
Now that the program is well underway, the organization's leaders can analyze recognition program metrics – and they do so continuously. Quarterly insight meetings are held to review program usage, strengths and opportunities. Meridian's third-party technology provider includes a flexible reporting platform that allows the program team to run a variety of useful analytical reports (e.g., how often the management team is using the system to recognize and reward employees).

To date, Meridian has accomplished the results it had set out to achieve prior to the program's implementation, including improved business outcomes, employee engagement, performance, behaviors, employee retention, and activities and

Case in Point: Meridian Sees Results from Aligning Its Recognition Program to Its Values and Brand (cont'd)

participation level.[15] In addition, Meridian's turnover rate for engaged employees is lower than it is for disengaged employees (see Figure 7).

Figure 7: Meridian's Engaged Employee Turnover Rate



Source: *Meridian, 2011.*

Meridian continues to evolve its program by setting new benchmarks and continually evaluating its key metrics. As a result, employees enjoy a wide variety of individualized and meaningful rewards, while the leadership team is better able to align employee recognition for performance against strategic goals and demonstration of desired behaviors.

15 For more information, *Enabling Recognition: Meridian Reinforces Its Culture of Engagement through Employee Recognition and Rewards*, Bersin & Associates / Stacia Sherman Garr, December, 2011. Available to research members at www.bersin.com/library.

Practice 3: Technology, Ease and Flexibility of Recognition, Frequency of Recognition

Combined Relative Weight: 22.8%

3. Use Technology to Make Recognition Easier to Do, More Flexible and More Frequent

Our analysis revealed that employees at organizations highly effective at integrating technology into recognition were three times more likely to be in the top quartile of the BPI. The specific questions employees rated their organization's effectiveness on include the following:

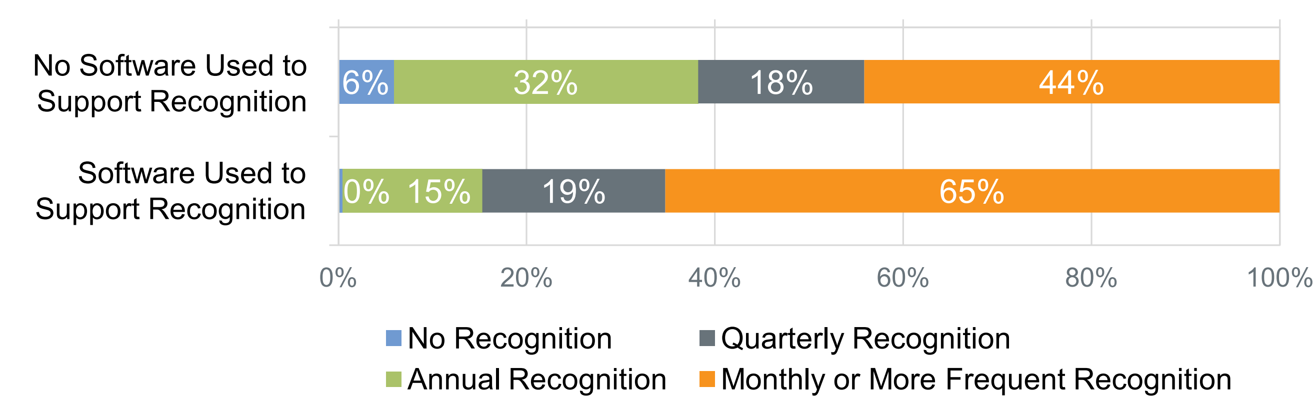
- Being able to recognize others using social technology (e.g., internal social platform, Twitter, Facebook)
- Having access to the recognition program via mobile devices (e.g., smartphones)
- Having access to the recognition program via a computer

KEY POINT

When employees indicated recognition occurs frequently, the organization was approximately 1.5 times more likely to be in the top quartile of the Business Performance Index.

Why do we see this relationship between technology and business outcomes? There are a number of reasons, and the first has to do with what technology can do: it often makes recognition more accessible to employees, enables organizations to flex their recognition programs to fit different business units' needs and results in more frequent recognition. For example, employees at organizations that leverage recognition software were much more likely to report that recognition occurs monthly or more often (see Figure 8). This relationship is important because, when employees indicated recognition occurs frequently, the organization was approximately one-and-a-half times more likely to be in the top quartile of the Business Performance Index.

Figure 8: Frequency with Which Recognition Occurs – Software versus No Software



Source: *Bersin & Associates, 2012.*

Employees also indicated that, when software is part of how recognition is delivered, employees recognize each other (peer to peer) more, can express different levels of appreciation more effectively and, in general, can recognize each other more easily. We also found that, when employees believe their organizations are highly effective at these elements, their organizations are nearly four times more likely to be in the top quartile of the Business Performance Index.

HR leaders also report that recognition software programs offer a number of benefits, such as being relatively easy to implement and manage, flexing to business needs, improving tracking of recognition, and enhancing the performance of the overall recognition program.

KEY POINT

Recognition is too important and pervasive not to completely match the technology solution to the message, goals and culture your organization is trying to reinforce.

The decision to invest in a software recognition program can lead to some important outcomes. First, it helps senior leaders to actively and publicly support employee recognition. This is because senior leaders will typically back up the financial commitments they have made with their own behaviors. This helps to drive all of the excellent outcomes that we saw in the first best practice. Second, in the process of implementing the software, the leaders in the organization have to determine which activities and behaviors to recognize, ultimately leading to improved recognition consistency.

We need to mention one note of caution. Whenever implementing new recognition software that is purchased externally and deployed to employees, the look, feel and content must reflect the organization's goals and culture. In previous research[16], we found organizations that fail to customize externally purchased recognition programs are more likely to state their company culture does not support recognition, as compared with those which have programs that are designed internally, or are a combination of internally designed and externally purchased programs. Recognition is too important and pervasive not to completely match the technology solution to the message, goals and culture your organization is trying to reinforce.

16 For more information, *The State of Employee Recognition in 2012,* Bersin & Associates / Stacia Sherman Garr, June 2012.

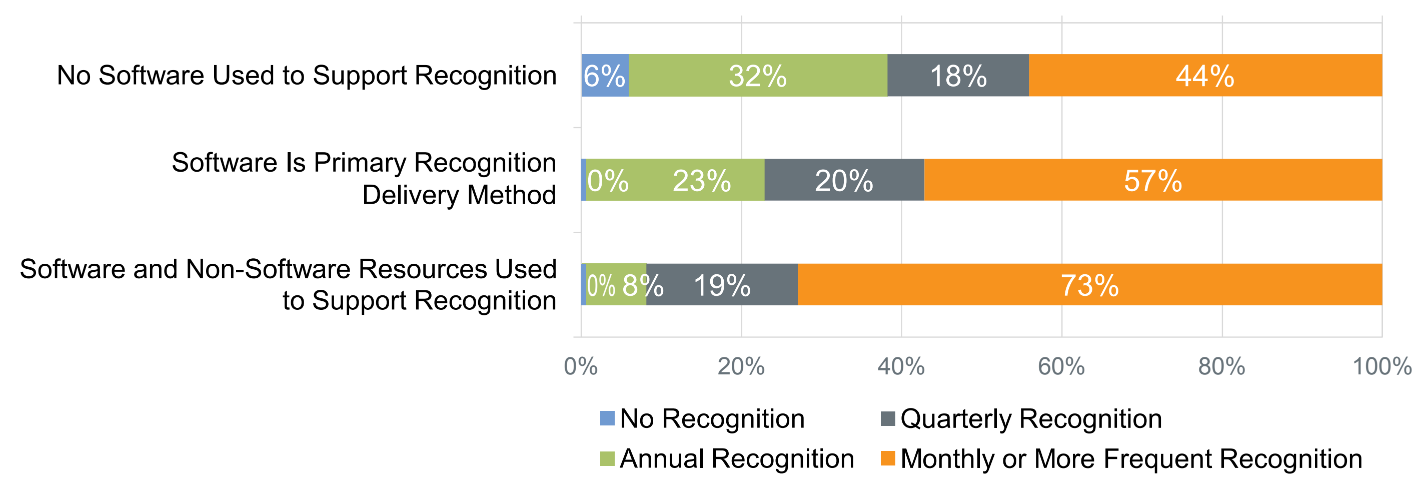
Practice 4: Token Recognition, Manager Recognition, Formal Public Recognition, Non-Monetary Recognition

Combined Relative Weight: 29.0%

4. Engage in a Multifront Recognition Offensive

Though there are significant benefits to using employee recognition software, it is not a magic bullet. Our research shows that recognition software should be one part of an overall, comprehensive approach to employee recognition which includes numerous offline elements. For example, let us more deeply examine the data we show in Figure 8, which illustrates that employees at organizations that leverage software for recognition are recognized more often. In Figure 9, we have broken out how organizations use software – if recognition is primarily delivered using software or if software is supplemented with other types of recognition. As you can see, the recognition frequency actually increases substantially when software is supported with other types of recognition. Thus, we clearly need to engage in a multiple-front recognition effort, which includes software and a variety of non-software elements.

Figure 9: Frequency with Which Recognition Occurs – Software Plus Other Types of Recognition versus Software-Only Recognition versus No Software for Recognition



Source: *Bersin & Associates, 2012.*

In previous research[17], we identified three different types of recognition – praise and emblematic recognition, token rewards and monetary rewards. In this study, we found that all three of these types of recognition are

17 For more information, *The Bersin & Associates Employee Recognition Framework: A Guide to Designing Strategic Recognition Programs*, Bersin & Associates / Stacia Sherman Garr, April 2012.

Source: *Bersin & Associates, 2012.*

important to employees. Specifically, when organizations are highly effective at these elements, they are much more likely to end up in the top quartile of the BPI (see Figure 10 for the exact impact). It is important to use this varied approach because it provides employees with constant and frequent reinforcement of their value to the organization. However, though it is important to leverage a number of recognition approaches, this variety should not compromise the organization's recognition criteria consistency.

Figure 10: Recognition Elements and the Relationship with Top-Quartile BPI Outcomes

	Praise and Emblematic Rewards	Token Rewards	Monetary Rewards
Recognition Elements	• Give public recognition, with no monetary value (e.g., public "thank yous," certificates, trophies, plaques, etc.) • Provide paid days off[18]	• Hold events (e.g., lunches or dinner parties) • Give gift cards • Give other gifts • Give low-value (under $100) cash awards • Give points	• Give public recognition, with monetary value (e.g., companywide awards) • Allow employees to nominate each other for companywide awards (with monetary value)
If Highly Effective at the Recognition Approach, Likelihood of Being in Top Quartile of Business Performance Index	2.8	4.4	3.5

Source: *Bersin & Associates, 2012.*

The Role of the Manager

Offering a variety of recognition mechanisms is also important because it enables managers to customize their recognition of individual employees, based on those employees' preferences. For example, an employee may not enjoy being publicly recognized in front of the entire company and, instead, prefer an email that details her accomplishments. Offering managers a range of recognition approaches gives them more tools in their recognition toolkit. The ability to customize recognition

18 Even though paid days off do have a financial value, this data shows that most employees do not seem to see them as a form of financial recognition.

KEY POINT

Employees who strongly felt their manager knows how they like to be recognized were more than three times more likely to work at an organization in the top quartile of the Business Performance Index.

matters. In our survey, employees who strongly felt that their manager knows how they like to be recognized were more than three times more likely to work at an organization in the top quartile of the Business Performance Index.

Unfortunately, most managers are not born knowing how to recognize their employees. To help managers become more effective in this area, some organizations offer training to help managers to understand what behaviors to recognize and how to do it in a way that is sensitive to employees' preferences. This training is often embedded into the organization's manager development curriculum, as shown in the case in point from the financial services organization. In addition, many organizations will further guide managers by putting extra effort into communicating the different types of recognition programs that the organization offers, the criteria for each of those programs and examples of employees who have met the criteria.

Case in Point: Financial Services Organization Trains Managers to Be Program Ambassadors

A large financial services organization, which has approximately 10,000 employees, has incorporated an explanation of the importance of recognition and how it should be used to motivate employees into several manager training programs. The organization's recognition programs encourage managers to give praise and feedback that tie with business goals, while also motivating staff with rewards based on their preferences (e.g., cash, certificates, verbal praise and others).

To do this, the organization offers supervisor training to all managers in the form of two courses. The first course, which is offered to all new supervisors, focuses on the fundamentals of management. It includes an introduction to recognition, motivation and rewards, and is intended to define key concepts and how they should be used across the organization. The second program takes a more in-depth look at management essentials. This program lasts eight weeks, and includes a "deep-dive" on motivation and rewards. In this session, the organization's managers are taught how to critically think about "what" drives their employees

Case in Point: Financial Services Organization Trains Managers to Be Program Ambassadors (cont'd)

professionally and personally. In addition, the program educates managers about how they should motivate staff and configure recognition messages that are meaningful. Then, the program connects the motivations with rewards that are appropriate based on the organization's business goals and culture. Finally, the training programs reinforce the branding messages, criteria and benefits of its enterprisewide recognition program.

Overall, the results of the manager training program have been instrumental in keeping employees motivated, engaged and retained – and, importantly, driving the business forward. Furthermore, the fact that the training provides structure around employee recognition helps to ensure all managers implement the recognition programs in an efficient and engaging manner. This structure facilitates continuity with the organization's overall recognition effort.

Practice 5: Valued Rewards, Prestige

Combined Relative Weight: 13.4%

5. Provide Recognition and Rewards Employees Value

In a time when products are increasingly personalized and much of what was once personal information is now public, it should come as no surprise that employees especially want two things from recognition:

1. To receive rewards that they value
2. To have others know they have been recognized and think their recognition is prestigious

This section will walk through both of these elements.

Valued Rewards

The concept of valued rewards is comprised of three factors:

- Rewards are high quality
- Rewards have a financial value
- Employees can choose their own rewards.

KEY POINT

The most important element is that employees can choose their own rewards.

Of the three of these, the most important element is that employees can choose their own rewards. We see that many organizations (and recognition vendors) understand this, based on the proliferation of catalogs that allow employees to choose their own rewards. Importantly, though, the rewards also have to have financial value and be high quality. These two factors should not be ignored, as they are also critical to employees. When employees ranked their employer as highly effective on these three elements, the organization was more than six times more likely to be in the top quartile of the Business Performance Index.

The Importance of Prestige

KEY POINT

When employees indicated that their organization's rewards were highly prestigious, the organization was more than six times more likely to be in the top quartile of the Business Performance Index.

It may seem intuitive, but it is an important point to bring up – employees want rewards that other people also value. There is little satisfaction for many people in receiving a reward that no one cares about or knows they received. As such, the perception that a reward is prestigious is critical to employees' satisfaction with it. When employees indicated that their organization's rewards were highly prestigious, the organization was more than six times more likely to be in the top quartile of the Business Performance Index.

One of the most important elements of prestige is specificity. Employees want to know specifically what they are recognized for and they want their colleagues to know this information, too. A generic "good job" is nowhere near as powerful as the specific enumeration of employees' accomplishments or good behaviors, which reinforces to each of them that their unique contribution is appreciated.

The concept of visibility is also critical to prestige. Specifically, employees want to be able to see who else is recognized within their organization and, by turn, be seen by their colleagues. This is useful for the organization as a whole, as it provides an opportunity to reinforce the organization's culture and norms by publicly sharing when people exhibit them. It also provides an avenue by which to capture stories that can be added to the organization's lore.

In the survey, we also tested a second element of visibility – that employees can share the recognition they receive from managers or peers with others outside of the organization (on Facebook, LinkedIn or Twitter, for example). While, statistically speaking, there were some small positive benefits to sharing recognition outside of the organization, the potential risks (as outlined in Figure 11) of doing so may outweigh those benefits. Within the recognition industry, there are very strong feelings on both sides of this issue. The decision on whether to enable employees to share recognition outside the organization is one that will be unique to each organization and its situation, and vary based on the organization's culture, talent management strategy and risk preferences.

Figure 11: Pros and Cons of Allowing Employees to Share Recognition Outside of the Organization

Pros	Cons
Helps build a positive brand for the company as an organization that values and recognizes employees – can have value as a recruiting tool	Recognition may "flag" employees as high performers, making each a target for recruiters trying to lure them from your organization
Enables employees to express their pride of accomplishment with those who matter to them outside the organization	Not all recognition is fit to be posted outside of the organization's firewalls; there is the potential that critical information may be shared

Source: *Bersin & Associates, 2012.*

Case in Point: KPMG in Canada Allows Employees to Share Their Recognition

KPMG Canada is a leader in delivering audit, tax and advisory services. The firm has more than 660 partners and more than 5,000 employees operating in 32 locations across Canada. Over a decade ago, KPMG in Canada began its journey from an organization in which "a paycheck was considered thanks enough" to one that regularly recognizes employees' achievements. In 2011, the total rewards and recognition team realized that it was time to take the next step in the journey by updating its nearly 10-year-old program to a social online recognition program. The goal was to provide a clearer line of sight between desired employee behaviors and business needs.

As part of this new program, the company introduced peer-to-peer recognition with non-monetary and lower-dollar value awards that can be distributed with no approval process. This shift was

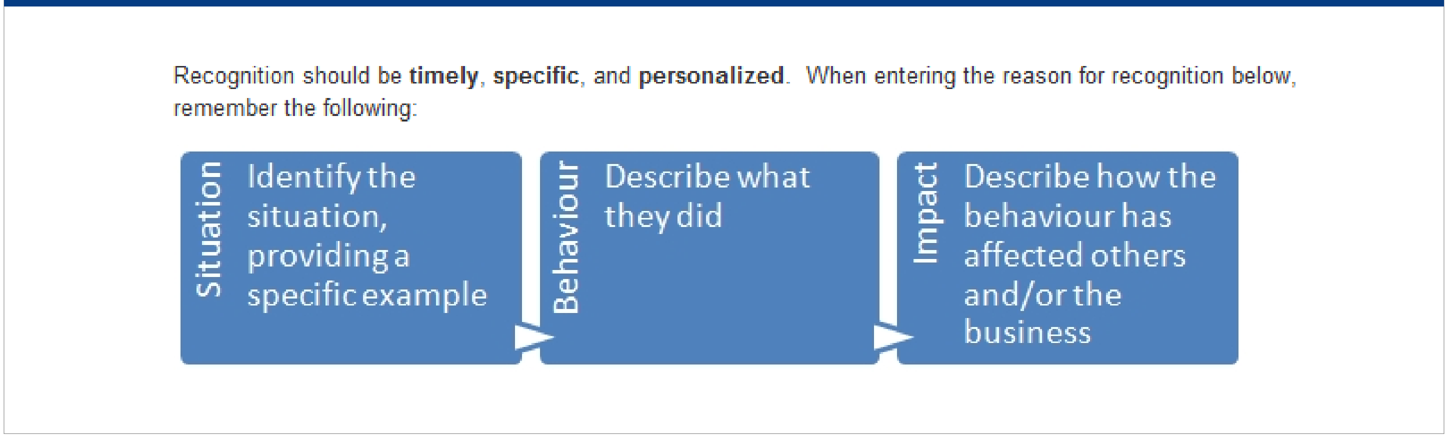
Case in Point: KPMG in Canada Allows Employees to Share Their Recognition (cont'd)

significant, as previous recognition programs primarily focused on recognizing top performers on an as-needed basis, not as a regular practice. KPGM in Canada understood that its business strategy required it to adapt to the needs of its workforce. Since that workforce includes a large population of younger employees who typically require more feedback, a peer-to-peer recognition program made sense. Further, the additional transparency of the recognition program helped to constantly reinforce desired behaviors.

In addition to enabling peer-to-peer recognition, KPMG allows employees to share internal recognition with others outside the firm, using social applications such as Twitter, LinkedIn and Facebook. The company's HR team thinks that enabling employees to share their successes externally enhances the profile and prestige of the organization, encouraging potential clients to want to build relationships with the firm's employees, and encouraging potential candidates to want to join. Thus, recognition ties in closely with the business's strategy.

Part of the way in which KPMG in Canada ensures that recognition is appropriate (for both inside and outside of the firm) is by leveraging the same "Situation, Behaviour, Impact" feedback model that the firm uses within performance management for recognition activities. Therefore, whenever an employee is preparing to recognize another employee, a reminder (see Figure 12) will pop-up, reinforcing the importance of identifying the situation, providing specific feedback on the employee's behavior and the impact it made.

Figure 12: Screenshot of KPMG's Situation – Behavior Impact Reminder



Source: *KPMG LLP (Canada), 2012.*

Case in Point: KPMG in Canada Allows Employees to Share Their Recognition (cont'd)

KPMG in Canada has seen a rapid increase in the frequency of recognition and the reported level of satisfaction with recognition since implementing the new program.

Improving Your Organization's Recognition Approach

We understand that many readers at this point may be thinking, "Well, the five practices were helpful, but how do I understand where my organization is today and how do I get it to the next level?" This is where our Bersin & Associates Recognition Maturity Model comes in. The Maturity Model is designed to identify the different stages of sophistication of employee recognition and enable readers to determine where their organization fits. Within this section, we explain each of the four levels within the Model and discuss how organizations can move within levels. Our hope is that, after reading through this section, you will be able to determine the level into which your organization fits and identify clear steps to improving your organization's maturity.

Bersin & Associates Employee Recognition Maturity Model®

KEY POINT

Level 4 organizations are nearly 12 times more likely to be in the top quartile of the Business Performance Index.

The Bersin & Associates Employee Recognition Maturity Model (see Figure 13) is designed to help HR leaders understand the process through which organizations improve their employee recognition practices. Think of it as a roadmap to recognition nirvana. We know that nirvana comes with a real up-side benefit – Level 4 organizations are nearly 12 times more likely to be in the top quartile of the Business Performance Index.

Figure 13: Bersin & Associates Employee Recognition Maturity Model®

Source: *Bersin & Associates, 2012.*

Level 1: Inconsistent Recognition

KEY POINT

In Level 1 organizations, recognition criteria are unclear and applied in an inconsistent manner, resulting in the organization failing to use recognition to reinforce critical messages about desired employee behaviors or goals.

Most Level 1 organizations are living counterpoints to the view that recognition can be deployed as a strategic tool. In Level 1 organizations, recognition criteria are unclear and applied in an inconsistent manner, resulting in the organization failing to use recognition to reinforce critical messages about desired employee behaviors or goals. The organization may have some public recognition, such as leaders highlighting individual employees' achievements at staff meetings or quarterly "all-hands" meetings. In some instances, this public recognition may also include a financial reward. Yet, recognition lacks standardization across the organization.

One of the root causes of this inconsistency is the uneven level of senior leader support for recognition at Level 1 organizations. While senior leaders may believe recognition matters, most do not publicly recognize employees or hold others accountable for doing so. This is exacerbated by the fact that, at most Level 1 organizations, the vast majority of recognition is top-down in nature in that leaders in the organization give or are responsible for approving recognition to those beneath them in the organizational hierarchy. Since many leaders' focus is highly fragmented and they are primarily the ones providing recognition, employee recognition is erratic.

The primary exception to this within Level 1 organizations is the tenure-based recognition program. These programs, by their very nature, have clear criteria and can be evenly administered. However, our research shows no correlation between the existence of a tenure-based recognition program, and higher employee engagement or better business results. While there may be reasons to have a tenure-based recognition program, our analysis does not show that it is a sufficiently strong lever to improve critical outcomes. In fact, no Level 1 organizations are in the top quartile of business performance within our survey.

Level 2: Standardized Recognition

KEY POINT

Level 2 organizations, which represented 31 percent of our sample, are focused on eradicating the inconsistent recognition common in Level 1 organizations.

Level 2 organizations, which represented 31 percent of our sample, are focused on eradicating the inconsistent recognition common in Level 1 organizations. To do this, HR leaders start by helping senior leaders understand the value of employee recognition. Many of those leaders, in turn, instruct their direct reports and the rest of the organization to recognize their people. While this encouragement of recognition by senior leaders is important, there is another critical reason for obtaining senior leader support early – that support is necessary for HR to implement several of the other hallmarks of Level 2 organizations. These hallmarks include the following:

- **Standardized Recognition Processes** – The development of a consistent approach to recognition across the organization, including the types of activities that will be recognized and how recognition will occur; also includes determining how recognition will be the same across the organization and how it may remain customized
- **Investment in Technology to Support Recognition** – The use of technology, be it a social recognition platform, an internal recognition portal or the use of automated forms, to make recognition easier to do and track

KEY POINT

Level 2 organizations are roughly six times more likely than are Level 1 organizations to be in the top quartile of business performance.

- **Reduction in Recognition Approval Levels (for both praise and rewards)** – The loosening of control over who has to approve employee recognition, which encourages employees to own employee recognition more

There are three other critical differences between Level 1 and Level 2 organizations. First, Level 2 organizations begin to deploy a wide range of recognition types, including praise and emblematic, token and monetary rewards. Importantly, these HR organizations also communicate how employees are expected to use these different types of recognition. Second, Level 2 organizations ensure that employees can see who else is recognized and for what they are being recognized. This is a critical differentiator, as this is an essential element to creating prestigious recognition. Finally, Level 2 organizations are much more likely (roughly six times more likely) than are Level 1 organizations to be in the top quartile of business performance.

Level 3: Aligned and Reinforced Recognition

Level 3 organizations build heavily on the groundwork within Level 2 organizations. These more mature organizations take the standardized recognition approach – and incorporate the recognition of critical organizational behaviors, and company and project-specific goals. Further, they ensure that senior leaders communicate the behaviors they expect and the goals of the organization, and then publicly recognize employees for achievement of them. But Level 3 organizations do not solely rely on senior leaders to recognize their employees; these organizations also do the following:

KEY POINT

Level 3 organizations take the standardized recognition approach – and incorporate the recognition of critical organizational behaviors, and company and project-specific goals.

1. Ensure leaders at all levels recognize employees for achieving goals and demonstrating the right behaviors

2. Introduce and heavily promote peer-to-peer recognition

Level 3 organizations further work to guarantee that there is an array of different types of recognition, including everyday and time-driven recognition (e.g., quarterly or annual recognition activities). The final hallmark of a Level 3 organization is that many employees receive recognition which includes specific feedback. Employees do not just tell peers that they do a good job, but they describe the recognized employee's actions in detail. This makes the recognition personal but also tells the employee what they should do again. All of these improvements pay off, as Level 3 organizations are approximately seven times more likely to be in the top quartile of business performance than Level 1 organizations.

Level 4: Strategic and Pervasive Recognition

KEY POINT

Level 4 organizations are nearly 12 times more likely to be in the top quartile of business performance than are Level 1 organizations – and those in Level 4 set themselves apart by using recognition to strategically reinforce key messages, goals and behaviors across the entire organization.

Level 4 organizations represent the most effective recognition organizations within our study and their hard work pays off. They are nearly 12 times more likely to be in the top quartile of business performance than are Level 1 organizations. These organizations set themselves apart in that they use recognition to strategically reinforce key messages, goals and behaviors across the entire organization. Further, recognition is a natural instinct within the organization, with senior leaders setting the example. In addition, these organizations have taken a thoughtful approach to employee recognition and likely have developed a recognition strategy. This strategy sets out the purpose of recognition, how recognition aligns with business goals and culture, how it integrates with talent management, and the vision for all the different elements of employee recognition.[19]

As part of this recognition strategy, Level 4 organizations understand how the various elements of employee recognition should work together (see Figure 14). They also understand how they can best leverage technology to support recognition, what they want employees to think about those different types of recognition and the desired outcome of each type of recognition. Figure 14 shows an example of how an organization could think through these different factors.

19 For more information, *The Bersin & Associates Employee Recognition Framework: A Guide to Designing Strategic Recognition Programs*, Bersin & Associates / Stacia Sherman Garr, April 2012.

Figure 14: Example of an Organization's Recognition Approach

Recognition Description	Recognition Type	Frequency	Use of Technology	What Organization Wants Employees to Think	Intended Outcome
Annual CEO's recognition for demonstrating company values	Public; monetary; all-company	Annually	For nominations	• "Highly prestigious" • "I want to be like the winner" • "I know why the winner won"	• Provide clear example of right types of behavior • Encourage others to engage in that behavior • Increase use of behaviors that drive business results
Quarterly departmental recognition for achieving past quarter's goals	Public; token recognition; departmental	Quarterly	For nominations and to share who was recognized within a news feed	• "I'm proud of our team" • "I could use some of the tactics used by the people recognized" • "I feel appreciated for my accomplishments" • "I want to be recognized next time" (if not recognized)	• Communicate that people are on-track • Encourage future achievements • Celebrate accomplishments • Increase employee engagement
Everyday recognition of behaviors and smaller accomplishments	Public or non-public (depending on preferences); praise or token recognition; one-to-one	Daily / Weekly	For giving recognition and to share who was recognized within a news feed	• "I am appreciated for my work" • "I am glad I was able to help my teammates" • "I am more engaged because my environment is supportive"	• Enable employees to communicate to colleagues when their work has made a difference • Increase collaboration and teamwork • Increase employee engagement

Source: *Bersin & Associates, 2012.*

This type of analysis can help the organization to identify what to communicate about the different types of recognition and also ensure that at least some of the recognition is perceived as prestigious. Further, it helps the organization to clarify what recognition should occur when, and if a certain type or frequency of recognition is not happening.

A final hallmark of Level 4 organizations is that the majority of recognition is unique to each employee; this means two things. First, employees regularly receive recognition that very specifically calls out the behaviors or accomplishments that are being praised. Second, the employee receives recognition that is aligned with their preferences. For example, if the employee prefers not to be recognized in public, then the manager does not have them stand in front of the entire department while being recognized.

Closing Thoughts

KEY POINT

The Bersin & Associates Employee Recognition Maturity Model is designed to help organizations to effectively implement and leverage those best practices, regardless of their current state of recognition.

Employee recognition is an important talent management tool for two reasons. First, it can help improve employee engagement, which has been shown to lead to higher productivity and retention rates. Second, it provides the organization with a method to reinforce the right type of behaviors, goals and, ultimately, culture. Employee recognition is an especially effective weapon now when so many organizations need their employees to flex to new behaviors or stretch to new goals. Deployed correctly, employee recognition can help employees to understand that they are on the right track.

This study outlined five best practices that our research shows are the practices used by the most successful organizations. In addition, we outlined a roadmap, the Bersin & Associates Employee Recognition Maturity Model, designed to help organizations to effectively implement and leverage those best practices, regardless of their current state of recognition. We hope that with this information, plus some of our other resources[20], you now feel confident that you can make changes to your organization's employee recognition approach that will make a measurable difference to your organization's business outcomes.

20 For more information on how to design an effective approach to employee recognition, please see, *The Bersin & Associates Employee Recognition Framework: A Guide to Designing Strategic Recognition Programs*, Bersin & Associates / Stacia Sherman Garr, April 2012; and, our benchmarking report on employee recognition, *The State of Employee Recognition in 2012*, Bersin & Associates / Stacia Sherman Garr, June 2012.

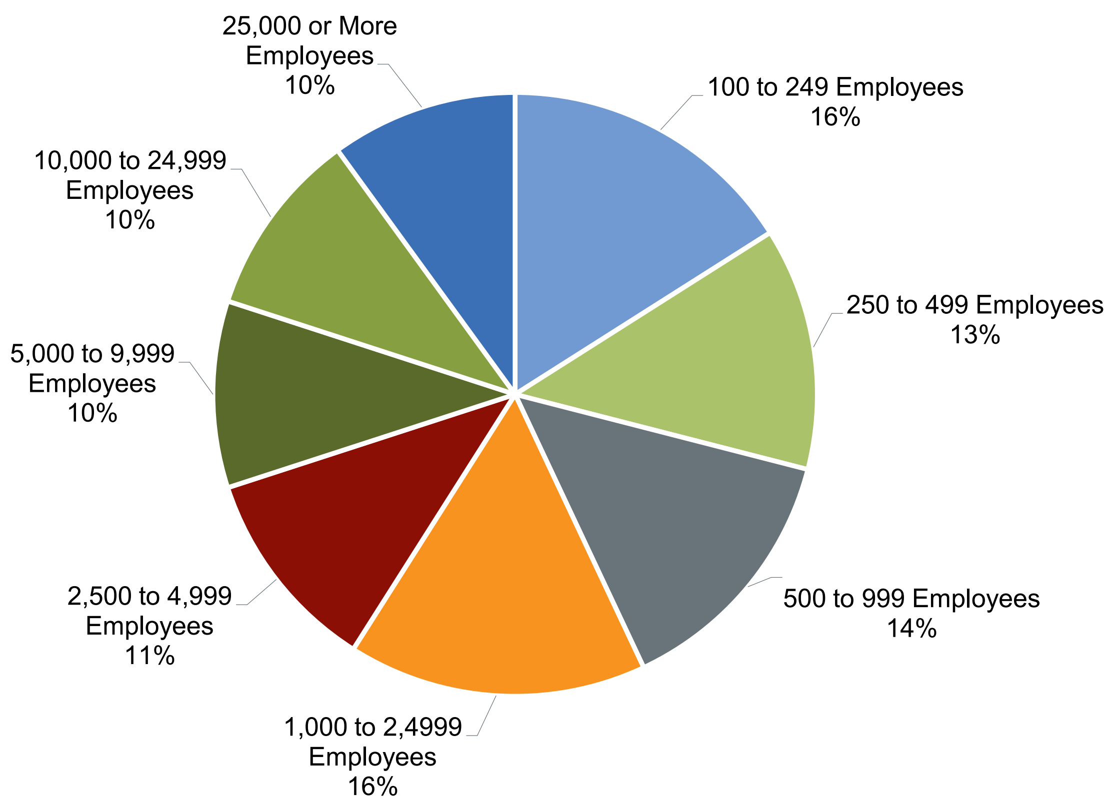
Appendix I

Study Participants and Organization Demographics

Appendix I: Study Participants and Organization Demographics

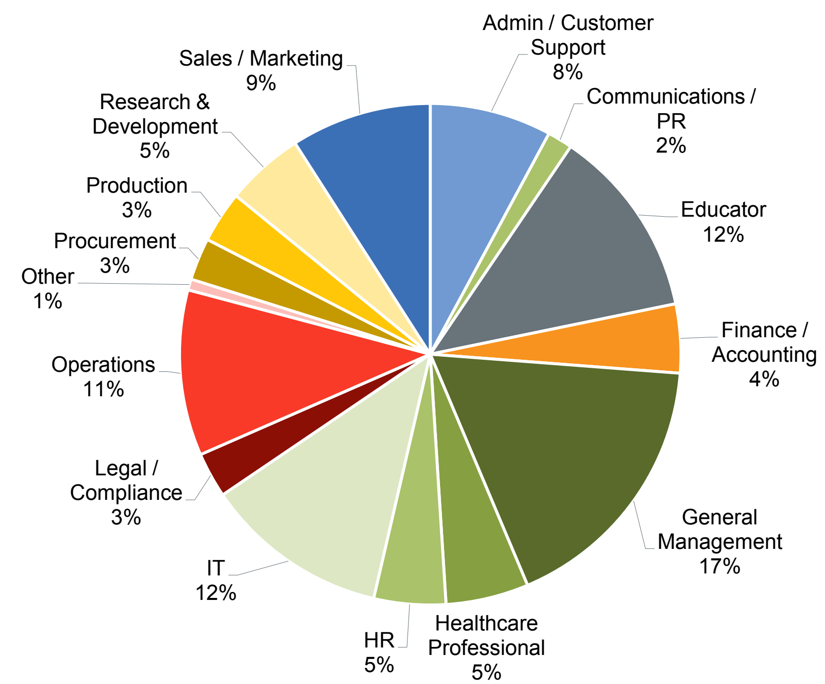
This research is primarily based on the results of an online survey, administered during March 2012, and more than 30 research interviews conducted between September 2011 and August 2012. The survey had a final sample size of 261 organizations, and the participants were primarily U.S.-based employees from a broad range of industries and organization sizes. Survey participants ranged from individual contributors to executives. We did not include organizations with fewer than 100 employees. We weighted our sample by company size and industry to reflect the U.S. population of businesses, as determined by Dunn & Bradstreet.

Figure 15: Range of Respondents by Company Size



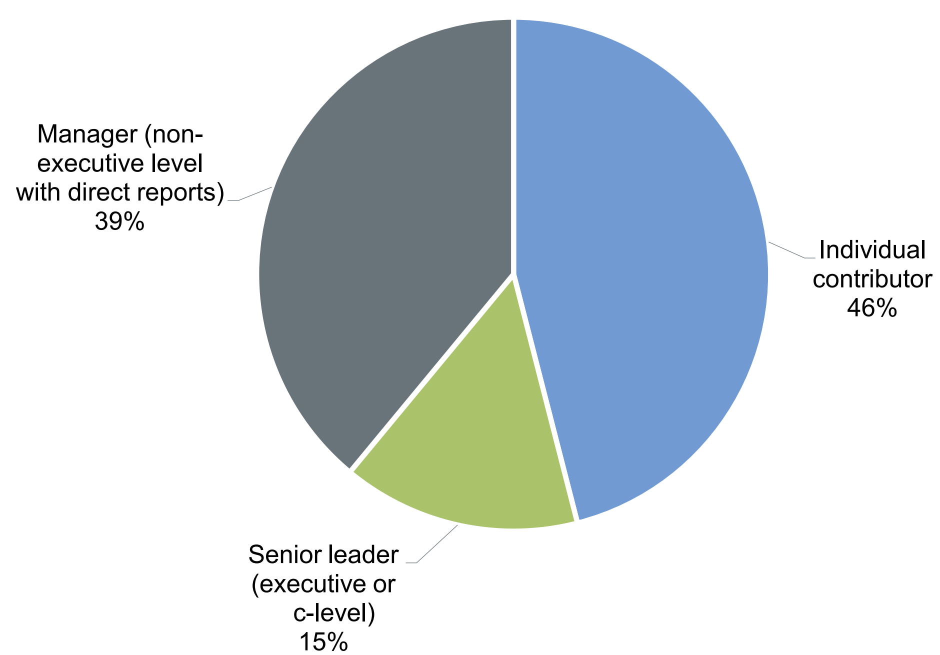
Source: *Bersin & Associates, 2012.*

Figure 16: Range of Respondents by Job Function



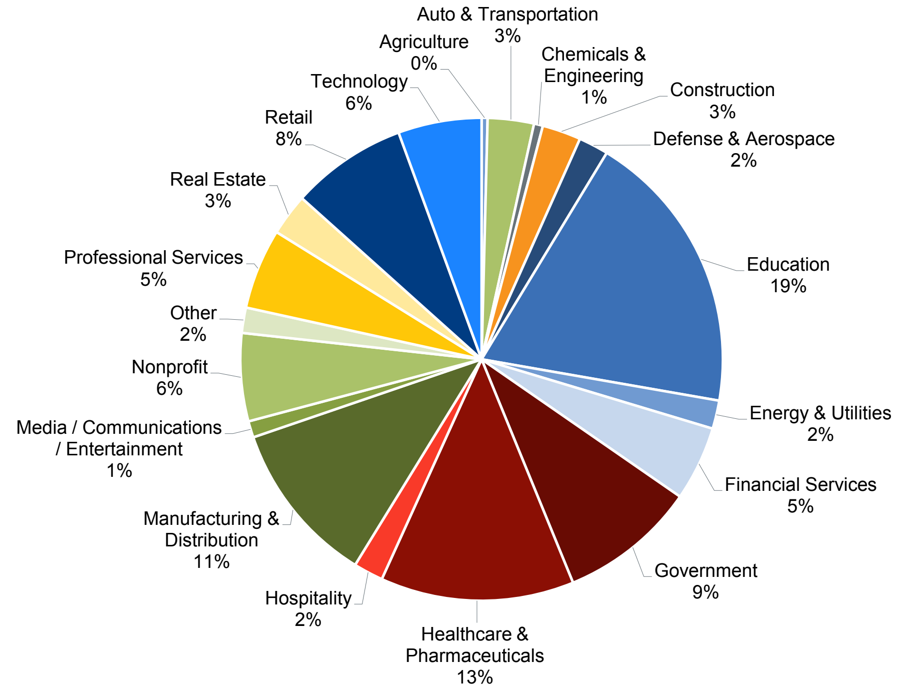
Source: *Bersin & Associates, 2012.*

Figure 17: Range of Respondents by Job Level



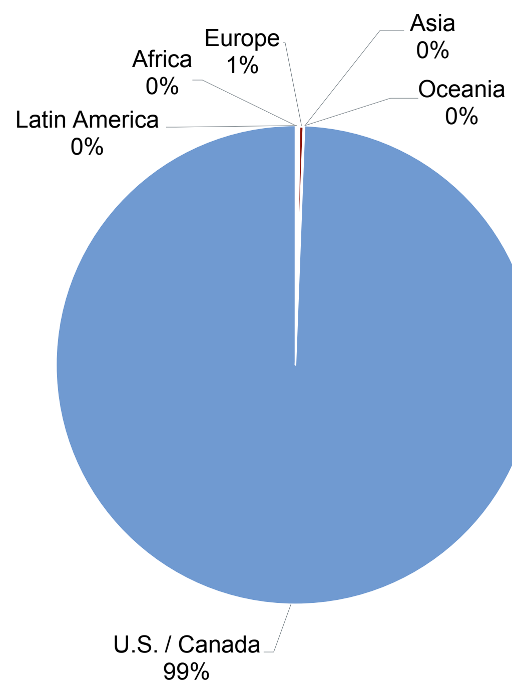
Source: *Bersin & Associates, 2012.*

Figure 18: Range of Respondents by Industry



Source: *Bersin & Associates, 2012.*

Figure 19: Range of Respondents by Geographic Location



Source: *Bersin & Associates, 2012.*

Appendix II

Methodology

Appendix II: Methodology

KEY POINT

We focused specifically on the responses from employees whose organizations have at least one employee recognition program.

We asked 261 employees 140 questions about the recognition practices in place at their organizations. We focused specifically on the responses from employees whose organizations have at least one employee recognition program, which represented 140 responses. For most questions, we used a five-point scale, for which "5" represented a high score and "1" represented a low score.

The questions that we asked employees can be grouped into the following topics:

- Demographics (e.g., number of employees at the organization, industry, geography, function, role, respondents' generation)
- Frequency of employee recognition
- Reasons employees do not recognize each other
- Benefits of employee recognition
- Frequency with which different types of recognition occurs
- What is recognized
- Existence of a recognition program
- How the recognition program is facilitated
- Importance and effectiveness of recognition program elements
- Employees' beliefs about how they are recognized and their understanding of what they should be recognized for
- Employees' assessment of their teams related to recognition and goals
- Employees' assessment of their organization's performance

Calculating Business Performance

For this research, our success measure is an index designed to measure business performance (known as the Business Performance Index or BPI). The BPI is comprised of employees' responses to questions on the following:

- Employees' own level of engagement, as measured by the following four questions (using a five-point agreement scale) and then averaged into a single variable:
    - I spend extra effort to ensure my work best fulfills the organization's needs
    - I am satisfied with my job
    - I would recommend my company as an employer to others
    - I plan to stay at this company for at least the next year
- Employees' organization's level of the following questions, again using a five-point agreement scale:
    - Customer satisfaction
    - Cost structure as compared with competitors
    - Market leadership position
    - Profitability (as compared with the previous year)

Each survey respondent's BPI score was the average of these five individual variables.

Identifying Critical Factors

We then analyzed the responses to the 140 questions on employee recognition. We first identified the variables that positively correlated with the BPI. Of those variables that correlated, we then used factor analysis to understand which variables grouped together, eventually identifying 14 factors. After naming these factors (see Figure 4, repeated in this section), we ran a regression with all of these factors against our BPI. We determined that these 14 factors accounted for roughly one-half of the variability within the BPI, with an R-square of 0.497.

Figure 4: The 14 Factors of Employee Recognition

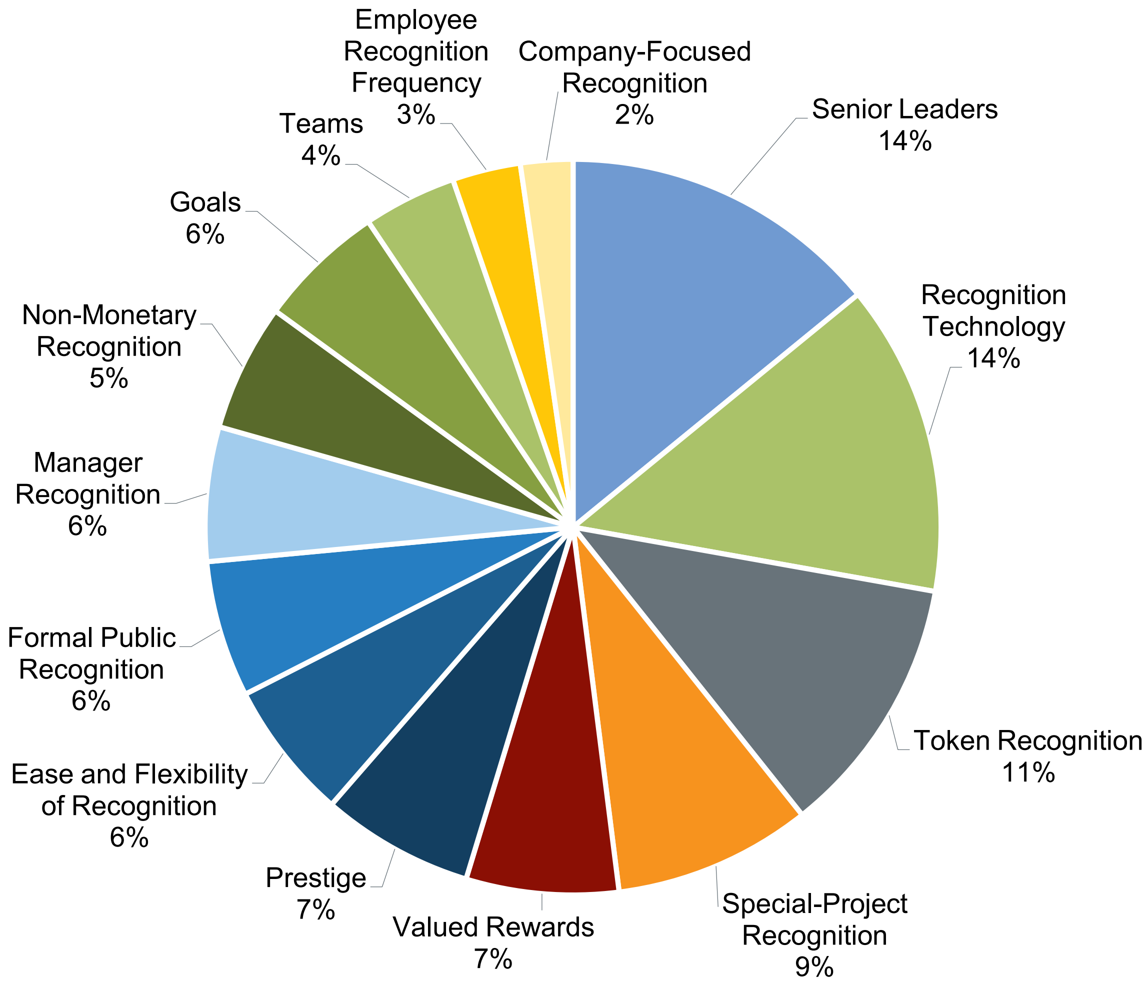
Themes	Factors
How Recognition Occurs	1. **Employee Recognition Frequency** – The frequency with which employees are recognized. 2. **Ease and Flexibility of Recognition** – The effectiveness of the organization at enabling employees to easily recognize each other, recognize peers and express different levels of appreciation. 3. **Recognition Technology** – The organization's effectiveness at enabling employees to access the recognition program using computer, mobile or social technology.
What Is Recognized	4. **Company-Focused Recognition** – Whether or not employees are recognized for achieving company goals and displaying company values. 5. **Special-Project Recognition** – Whether or not employees are recognized for achieving goals for special projects.
What Recognition Provides	6. **Valued Rewards** – The effectiveness of the organization at providing high-quality rewards, which have a financial value, and enabling employees to choose rewards that matter to them. 7. **Prestige** – The effectiveness of the organization at making recognition prestigious, enabling employees to see who else is recognized and to share that recognition outside the organization, and providing specific recognition. 8. **Token Rewards** – The frequency with which the following recognition activities occur: • Holding recognition events • Giving gift cards • Giving other gifts • Giving low-value cash awards • Giving points
Recognition Types	9. **Non-Monetary Recognition** – The frequency with which the organization provides public, non-monetary recognition and gives employees paid days off.[21] 10. **Formal Public Recognition** – The frequency with which employees nominate each other, the organization provides companywide awards and employees receive public recognition that includes a monetary element.
Recognition Environment	11. **Senior Leaders** – The effectiveness of senior leaders at communicating desired behaviors, modeling those behaviors, recognizing employees, communicating the organization's goals and providing relevant information to employees. 12. **Managers** – The effectiveness of managers at knowing how employees like to be recognized. 13. **Teams** – The extent to which employee teams have a strong sense of community. 14. **Goals** – The extent to which employees understand how their work connects to theorganization's goals, believe their teams' goals are clear, and understand the connection between their teams' and organization's goals.

Source: *Bersin & Associates, 2012.*

21 Even though paid days off do have a financial value, our analysis shows that most employees do not seem to see this as a form of financial recognition.

We then ran a relative weight analysis (RWA) to determine the impact of the different factors within the variability (R-square). The relative weights as a percentage of R-square are reported in Figure 5 (repeated in this section).

Figure 5: Relative Weights of the Recognition Factors as a Percentage of Variability



Source: *Bersin & Associates, 2012.*

Calculating the Likelihood of High Business Performance

To understand the impact of having very effective recognition practices, we divided the scores within each of the factors and the BPI into "high," which was the top quartile of performance, and "not high," which was the bottom 75 percent. We then used logistic regression to develop an odds ratio for each factor, for which we looked at (given that an organization was in the "high" group for the factor) its likelihood of being in the "high" factor for the BPI. That number was what we reported for each factor.

Developing the Best Practices

To develop the best practices, we grouped the 14 factors based on how we know they are combined in the real world. For example, we know that senior leaders are essential to goal clarity, so we combined those two factors into one practice. Through this process, we were able to translate the 14 factors into five best practices.

Creating the Bersin & Associates Recognition Maturity Model®

To create the Recognition Maturity Model, we used organizations' scores on the variables that comprised each factor and multiplied them by the relative weight of each of the factors. This resulted in a maturity score for each respondent's organization. We identified the levels of maturity by identifying the cut points within the maturity variable that corresponded to one standard deviation above and below the mean, and then adjusted the cut points based on the shape of the data. Finally, we validated the sophistication of the practices based on the types of activities that we know occur in organizations with different scores on the different factors, based on our interviews.

Appendix III: Table of Figures

About Us

Bersin & Associates delivers proven people strategies that leaders and their organizations need to deliver exceptional business performance. Our WhatWorks® membership program gives Fortune 1000 and Global 2000 HR, talent and learning professionals the research-based information and tools they need to drive bottom-line impact for their organizations.

Members use our research-based models, tools and insights to design and implement best practice solutions, benchmark against others, and select and implement systems. A piece of Bersin & Associates research is downloaded every minute during the business day. More than 5,000 organizations worldwide use our research and consulting to guide their HR, talent and learning strategies.

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About This Research