

Maximize the Return on Recognition during a Recession



DISENGAGEMENT
CUTBACKS
RUMORS
LAYOFFS
GUILT
UNCERTAINTY
ANGER
FEAR

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YOU

Boost Morale and Realize Savings

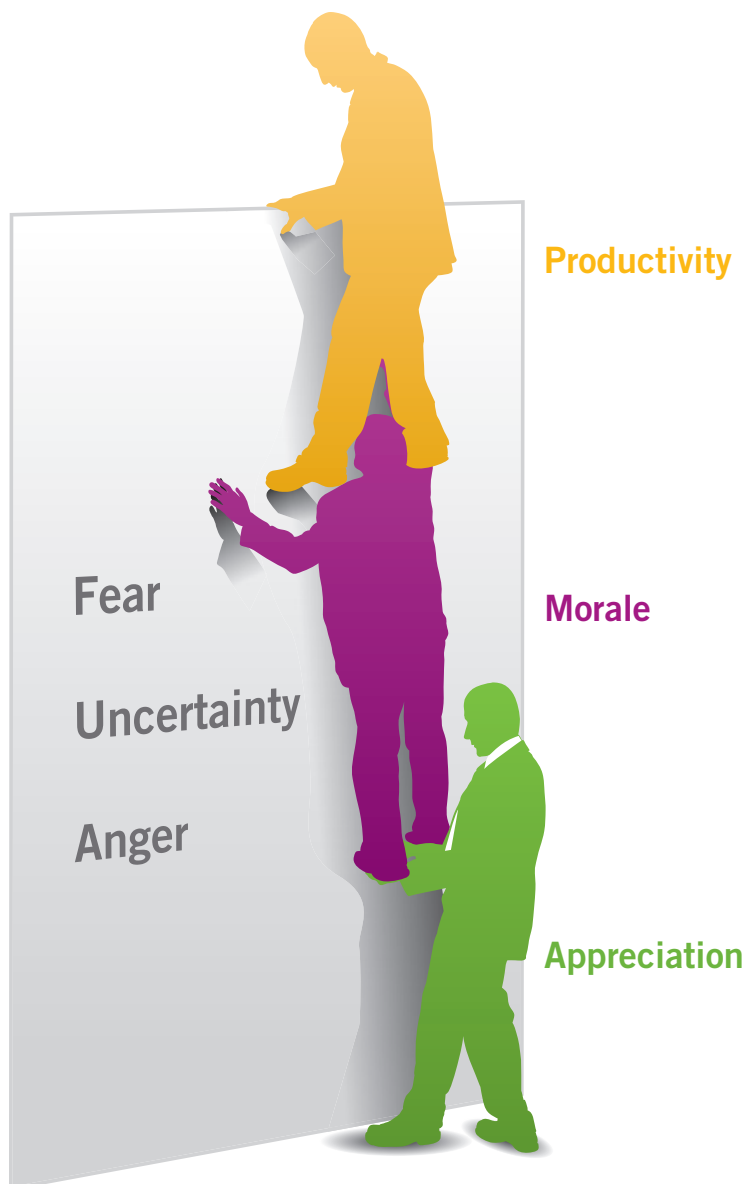
The declining state of the global economy, layoffs, bankruptcies, the credit crunch—the headlines are impossible to ignore. Companies across industries and around the world are dealing with similar complex challenges due to the ailing economy.

Now is not the time for employees to give in to fear and not work as hard because they believe they will not be recognized for their efforts. But how do company leaders address these employee concerns while remaining fiscally responsible, encouraging greater productivity and sustaining growth?

Strategic employee recognition programs reaffirm employees in the value of their contributions, acknowledge the additional work and effort they are being asked to perform, and allay rumors through frequently updated executive messages. Human Resources leaders can actually deliver savings to the bottom line through a properly deployed strategic recognition program while simultaneously boosting morale and productivity.

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“Chronically fearful people are too exhausted to be creative and innovative. They expect the worst to happen, so they see no reason to give their all.”

— **Judith M. Bardwick**,
“Psychological Recession,” 2008



Power of Recognition in a Recession

“Recognition helps people to be resilient. Businesses right now...they’re trying to survive. And to survive you’ve got to have some psychological resilience. You’ve got to have employees who are positive despite the negative situations around them....I would argue that recognition is even more important in times like this.”

– *Jim Harter,*
Gallup, October 2008

News articles and research studies from firms including Gallup, Deloitte, Towers Perrin and many others confirm three common issues among employees in this recessionary economy:

- 1) Survivor’s guilt** – Those remaining on the payroll after a round of layoffs often feel guilty about surviving the ax. This guilt distracts them from the task at hand. These employees typically need additional reinforcement of the value of their work to help them justify their status in the group.
- 2) More work, less motivation** – The survivors are also paying close attention to how management handles the layoff and subsequent redistribution of the work. With more tasks on each employee’s desk, managers need a way to encourage strong individual performance while reinforcing priorities based on ultimate corporate strategic objectives.
- 3) Rampant rumor mill** – The inevitable rumors of additional layoffs or restructuring further contributes to productivity and motivation challenges. Teams often suffer the most with rumors fueling backstabbing and protection of individual tasks over team goals.

A recessionary economy is precisely when companies need to get the most productivity out of fewer employees, however. Company leaders are struggling with how to accomplish this when annual or performance bonuses and even pay increases are no longer in the budget.

Roughly half of the HR executives from several hundred firms who responded to a Society for Human Resources Management (SHRM) November 2008 survey reported wage freezes and bonuses cuts were likely in response to the downturn. A similar study by Towers Perrin found nearly half of the 450 companies surveyed are likely to cut spending on pay and merit increases while 39 percent plan to cut annual bonuses and other cash incentives.

At a fraction of the cost of cash compensation and bonuses, strategic recognition targets each of these challenges with mechanisms to acknowledge and reward performance, personal achievement, and team successes. The recognition program should also be used to reiterate core company messages such as key goals and the mission to keep staff focused on achievable targets. By using the tool to encourage team members in a stressful time, company leaders communicate clearly their commitment to the wellbeing and future of the employees. Deployed correctly, strategic recognition programs also become a scorecard for executives on increased productivity and the factors that are specifically driving that increase.

“We’ve seen the tremendous value ongoing recognition has brought to our organization in terms of creating a more engaged and motivated workforce united around our company’s core values. We firmly believe that expanding our effort with Globoforce – particularly during this recessionary economy – will serve to strengthen our positive corporate culture and provide the necessary ‘thank you’s that employees need now more than ever.”



– *Susan McGowan,*
Associate Director of Benefits, Biogen Idec

Achieve Cost Savings While Increasing Productivity

Most companies are already investing significantly in an incentive or recognition program of some sort, but the majority of those programs are disparate, unfocused and do not deliver the full return on investment possible with strategic recognition.

Savings through Proper Program Deployment

Simply by consolidating multiple disparate programs into one and implementing efficient global administration, companies are able to achieve tremendous savings on their current investment in recognition. Globoforce's strategic recognition programs take the buried and distributed budget of multiple legacy initiatives, consolidate it into a single global program, track it, and provide executives with reports on the value of the program across the corporation.

These strategic recognition programs reduce the budget spent on recognition through a *Zero Budget Impact* and *Net Cost Savings* structure. This is possible by consolidating the various overhead expenses of multiple programs and implementing features to more effectively invest the budget allocated to recognition. Now executives can track spend in all divisions and groups and compare to the results achieved in terms of productivity, demonstration of corporate values, and achievement of strategic objectives.

"With Globoforce, we were able to more than double the number of employees receiving recognition for the same budget we were spending with our previous vendor."

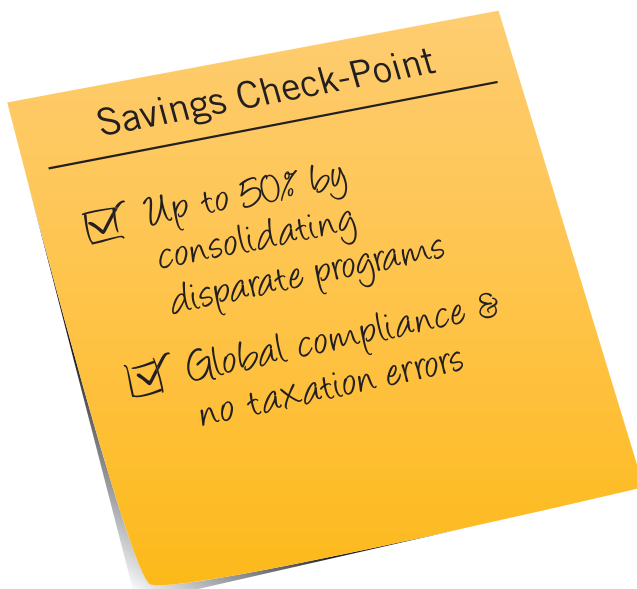


– Rob Schmitter,

Global Recognition Leader, Nortel Networks

Globoforce's strategic approach to global employee recognition ensures:

- * Budget spend is primarily invested in employees and not on multiple local administrators.
- * Fully automated and integrated processes reduce the costs associated with data entry and errors.
- * Cost savings and program enforcement through global corporate governance, tax compliance, and program measurement and management.



The Problem with Cash-based Incentives

With the cash bonus and annual compensation increase pool drying up and employees on a cash incentive performance track no longer able to meet those performance goals, many employees are choosing to not work as hard because their goals (and accompanying incentives) are out of reach. Yet many companies continue to rely on cash-based recognition programs, which neither maintain program consistency on a global scale nor ensure local participants feel motivated and involved in the organization. Additionally, people become habituated to cash no matter how much you give them, viewing it as an entitlement. An August 2008 study found that in eight of nine tasks, the promise of a bigger bonus actually significantly decreased people's performance.

Multiple studies have proven that simple recognition delivers better results than cash. A Japanese National Institute for Physiological Sciences study found "paying people a compliment appears to activate the same reward center in the brain as paying them cash." White Water Strategies found acknowledging staff achievements – praising employees – had the same impact on job satisfaction as a 1% increase in pay, which would equal £5.2 billion for UK businesses alone. These 2008 studies reinforced research results from a 2004 University of Chicago study that found non-cash incentives were 24% more powerful at boosting performance than cash incentives.

Non-cash recognition programs save money by reducing manual intervention and eliminating the paper chase while also creating a positive work environment where employees see that best practices, strong ethics and exceptional performance are recognized and rewarded consistently, openly and fairly – an environment that encourages loyalty,

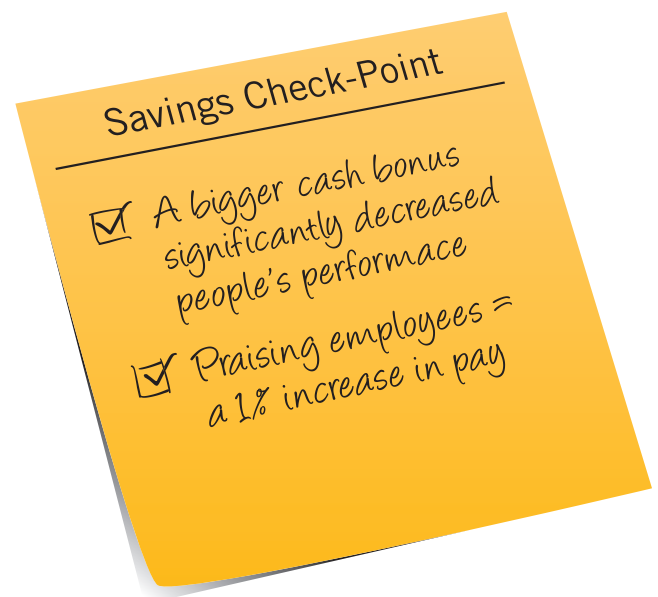
"As companies tighten their belts during tough times, it's important to remember that money isn't always what matters most to employees. When it comes to encouraging employees to pour discretionary effort into their work, the chance to make a difference and be recognized for their contributions can provide a much stronger incentive. Unfortunately, only 49% of non-management employees report that their contributions are recognized by their company when they perform well."

– Hay Group Insight, September 2008

commitment and honesty of effort. It is this kind of environment that drives greater morale and productivity when company leaders need it most.

Globoforce's industry-changing strategic recognition programs:

- * Drive productivity and morale by giving far more frequent awards to far more employees.
- * Use non-cash recognition, which produces twice the performance boost as cash.
- * Offer a hard, predictable budget to manage against.
- * Become a scorecard for executives on increased productivity.



The Problem with Merchandise Rewards

During the 20th century, many companies added a catalog-based merchandise rewards program to their cash bonus plans. However, this century old method offers no bottom-line savings on recognition budgets. These programs typically include 30% markup on their products with unpredictable and very costly shipping, handling, customs and duties fees. These programs deliver even less on a global scale where companies tend to spend 10-40% more on awards to employees in countries with a lower standard of living, inequitably awarding them more than their colleagues and certainly more than was intended.

Gift-card based strategic recognition programs give reward recipients the key to countless shopping, dining, entertainment and travel adventures. With set shipping fees, the gift-card model also frees human resources managers from tracking global shipping fees, customs and duties laws while giving them a hard, predictable budget to show to senior executives.

Globoforce's global gift-card model of strategic recognition offers:

- * Guaranteed minimal shipping fee everywhere in the world.
- * No international customs or duties fees.
- * Built-in standard of living index to save, on average, 25% of recognition budget.
- * Increased reward value for recipients through option to shop at sales at more than 2,000 merchants worldwide.

Savings Check-Point

- ☑ 30% on needless markup
- ☑ 10-40% on inequitable awards
- ☑ Eliminate international shipping, customs or duties fees

“With previous reward programs at Dow, we experienced problems shipping merchandise internationally. Other employee recognition vendors tried to convince us to ship merchandise again, but couldn't convince us that merchandise works internationally. Likewise, cash doesn't have the same impact in terms of making the recognition memorable. We have found that our employees enjoy the shopping experience and Globoforce's wide range of reward options allows them to select something from a merchant that fits their interests no matter where they are in the world. It's a wonderful solution that works seamlessly across our international operation and we couldn't be more pleased with the program.”



– **Sylvia Kronwald**,
Recognition@Dow Program Manager,
Global Compensation and Benefits,
The Dow Chemical Company

Five Tenets of Strategic Recognition in a Recession

Properly deploying strategic recognition to derive the full measure of benefit during a recession requires adherence to five key principles.

“It seems likely that an ailing economy will cause many organizations to ‘lean down’ their spending in the traditional comp and benefits areas for awhile. We will be more reticent than usual to add to the fixed cost structure. With growing acceptance of the notion that a focused, fired-up workforce really does lead to improved outcomes, we will, however, likely see enhanced focus on performance-based recognition and reward programs.”

– **Bill Catlette,**

co-author of Contented Cows Give More Milk

1. A Clear Global Strategy

A global strategy creates clear visibility and auditability into the recognition program across the global employee base, giving senior executives a meaningful results dashboard for true global insight into program use, changes in company culture, and achievement of strategic objectives at the desk or workstation of every employee.

2. Executive Sponsorship with Defined Goals

As with any strategic initiative, successfully establishing a culture of appreciation requires a management methodology (such as Six Sigma’s DMAIC), meaningful measurement and reporting functionality linked with company strategic objectives, and managers that are held accountable for targeted award activity.

3. Aligned with Company Values

A successful recognition program builds on a foundation of awards that are linked to the company values and strategic objectives. This reinforces for each employee how their daily actions and behaviors reflect the values or achieve the objectives, which in turn drives precisely the employee actions company leaders need to remain successful in today’s economy.

4. Opportunity for All to Participate

Best practice shows low-value awards for many results in much higher participation, leading to a stronger impact on the company. Because every recognition reinforces core values to the workforce, top performing companies ensure 80% of the global workforce is touched by the program each year. This approach also engenders loyalty among the majority of employees who see their above-and-beyond efforts in a difficult economic environment being noticed and rewarded.

5. Power of Individual Choice

True reward choice caters to the demographics of a worldwide workforce that spans four generations, all with different expectations and driving forces. Locally based choice goes a step further to ensure the reward will always be culturally appropriate and to the recipient’s taste. Putting the power of choice into the hands of the recognition recipients also eliminates the costs of failed or insulting recognition efforts that do not take into account local cultural sensitivities or needs.

Are you ready to maximize your return on recognition during this ailing economy? Our industry experts are ready to help you motivate and encourage your employees to deliver the productivity levels you need to succeed. Visit us on the web at www.globoforce.com or email us at corporate@globoforce.com. To speak to one of our global consultants immediately, please call: +1 888-7-GFORCE.

About Globoforce

Globoforce is the leading worldwide provider of global strategic employee recognition and reward solutions for Global 2000 companies. Globoforce's flexible and efficient recognition tool can scale from one user to millions of users with ease, offering global companies a powerful and secure solution to implement and manage their companywide or divisional employee recognition programs. Through an easy-to-use, on-demand technology platform, Globoforce transforms the way companies engage, motivate and empower their workforces around the world. Co-headquartered in Southborough, Mass., and Dublin, Ireland, Globoforce was included in *Inc.* magazine's 2008 Inc. 500 list of the fastest-growing private companies in the U.S. Globoforce recently won two International Business Awards, including Best Multinational Company and Best Web Site (Writing/Content), and the company's CEO, Eric Mosley, was named a finalist in the 2008 Ernst & Young Entrepreneur of the Year Award competition. Globoforce has also won *Human Resource Executive* magazine's coveted "Top HR Product of the Year" award for its revolutionary on-demand software solution. Some of Globoforce's world-class customers include Avnet, Dow Chemical, Global Crossing, Fairmont Hotels & Resorts, Intel, Intuit, Nortel, Procter & Gamble, Thomson Reuters and Wrigley. www.globoforce.com.

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