

EXECUTIVE RECOGNITION SUMMIT

Leaders agree appreciating great work makes struggling companies better and good companies great

In a year where many leaders have navigated the toughest economic climate of their careers, an impressive gathering of top executives joined together to discuss why recognition is a non-negotiable when results matter most. O.C. Tanner hosted the fifth annual Executive Recognition Summit in Boston, Mass., where 120 of today's top business people came together to share insights about the power of appreciation and its ability to accelerate company goals. It's a practice, they say, yields cultural, financial, and tangible results.

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The exclusive, invitation-only conference included presentations by: Dr. Michael Watkins, Harvard professor, author, and one of the world's leading experts on leadership and transitions; Ned Lidvall, CEO of Friendly Ice Cream Corp.; Cheryl Hutchinson, Senior Director of Human Resources for Friendly Ice Cream Corp.; Charlie Wall, Senior Vice President of Human Resources for United Water; Gladys Williams-Tillmon, 2nd Vice President of Corporate Training for Aflac; Tom Stuewe, Senior Vice President of North American Operations for Sutherland Global Services; and Chester Elton, Senior Vice President of O.C. Tanner's Carrot Culture Group and best-selling author of *The Carrot Principle*. Also at the conference, Texas Roadhouse was named Carrot Culture Award winner for outstanding appreciation practices in 2009. Texas Roadhouse founder Kent Taylor, CEO G.J. Hart, Communications and Recognition Director Dave Dodson and other company leaders were all on hand to accept the honor. U.S. Olympic silver medalist and Beijing Games gymnastic team captain Alicia Sacramone also attended and spoke about the power of recognition to motivate performance.

The Executive Recognition Summit is a one-of-a-kind event that has quickly become the premier conference for HR thought leaders. It provides its select group of attendees a candid look behind the scenes of some of today's most respected organizations and the people practices that help them gain and maintain market leadership. This paper provides a summary of the presentation at the conference including how companies are defining and dealing with a host of today's workplace issues including: managing through an economic downturn, succession planning, meeting the needs of a global workforce, and uncovering the most pragmatic strategies for encouraging great work.



DAVE PETERSEN

BEYOND DIFFERENTIATION: MAKING A DIFFERENCE

Dave Petersen, CEO, O.C. Tanner

Dave Petersen, CEO of conference host O.C. Tanner Recognition Company, kicked off The Executive Summit by encouraging the leaders in attendance to focus on making a difference.

“During the course of my career I’ve had the opportunity to meet with hundreds, maybe thousands of clients,” said Petersen. “I regularly ask them, ‘How is your company doing today?’ and I have noticed an interesting pattern in the responses. Those clients who answer the question with the stock price are usually searching for a quick-fix recognition solution they want to use to solve issues with low employee engagement or low satisfaction survey scores or worse—they somehow equate recognition to passing out free stuff to the masses. In contrast, other clients who answer the question by telling me about their people, their mission, their organization or what it feels like to work there. They might even talk about the specific challenges that they are facing in their company or in their industry and how they are turning to their people for answers.

“I find the second group of leaders is more likely to be working to affect or to project a cultural change within the organization as opposed to the first group of leaders who are sharply focused on what makes them different, their strategy, their compensation plans, their recognition programs, their products and services,” said Petersen. “While these are important business factors to be

sure, sometimes these differentiators become the primary focus, maybe even the only focus. In contrast, the best leaders, the leaders from the most successful organizations, are usually leaders and companies that are sharply focused not on what makes them different or different from their competitors, but on the difference they are making; their genuine purpose, why the company exists, what it accomplishes, the mission, the good they do in the lives of their people, their customers, their community. It is that connection, that engagement, which has the potential to make the biggest difference in any organization.”

Petersen then encouraged the leaders to think about the difference their organizations are trying to make and how appreciating people, appreciating great work, can help make that difference possible. He encouraged company leaders to shift their focus from managing the mechanics of market differentiators to a stronger focus on people; because, after all, it’s people that ultimately deliver results and enable companies to make a difference.



NED LIDVALL

FRIENDLY ICE CREAM CORPORATION

Ned Lidvall, CEO Cheryl Hutchinson, Senior Director of Human Resources

As the head of 75-year old Friendly Ice Cream Corporation, Ned Lidvall said leaders must respect what employees do for their organizations’ brands. Lidvall relies on his employees to keep up the family-feel essential to the Friendly’s brand through more than 500 family-style restaurants in 15 states and a robust ice cream and frozen dessert distribution system to more than 4,000 supermarkets.

“We are essentially in the people business,” said Lidvall. “The food and beverage is just a byproduct.”

Lidvall said that for his 13,500 employees, “The entire vision of the company starts with creating a great place to work, great jobs which are a combination of both intrinsic and extrinsic benefits...and about being wanted, needed and appreciated. Wanted meaning, I fit with the culture. Needed meaning, I have worthwhile work, and appreciated meaning that I’m recognized for doing good work.”



CHERYL HUTCHINSON

Lidvall’s Senior Director of Human Resources, Cheryl Hutchinson said that it’s the people-first approach that consistently proves to be the difference for Friendly’s employees, customers, and business results.

“If you want to justify a recognition program, the cost of turnover funds my program without a doubt,” Hutchinson told executives at the Summit. “If you look at locations with low recognition program usage versus high recognition usage locations in 2008, the numbers tell you recognition is having a significant impact. The restaurant business is a high turnover business, 121.8 percent in the restaurants. That’s a lot of people. For us, turnover in low reach restaurants is 121 percent, but in our high reach locations it’s 17 percent lower at 104 percent. We see a 17 percent drop in turnover in those locations where recognition is used most frequently. How can you afford not to have a recognition program?”

Hutchinson also shared internal analysis which shows a significant correlation between restaurants with high recognition program participation rates and improved sales performance, increased guest traffic, and decreased turnover.

“The results of our return on investment study really helped boost the confidence of a lot of people, because it showed that recognition accelerated the drivers of employee engagement,” said Hutchinson. “When you are able to sit across from the CEO, CFO, and the executive group and say, ‘Let me share with you the last three years’ worth of results,’ and every category that we looked at to measure performance significantly improved with the help of recognition, it’s really quite impressive.”

“When you see jumps like a 3.2 percent difference in guest count between restaurants with high versus low participation rates, it stops everyone in their tracks. That’s money. That’s foot traffic in the restaurant. Everyone can appreciate that,” said Hutchinson.

Friendly’s recognition platform is web-based and gives employees a choice of a wide variety of items at various achievement levels. Recognition is presented in front of peers, on the spot, and is consistently reinforced through manager training and a focused, branded communication campaign.

“At the end of the day what we are trying to do at Friendly’s is capture not only the hands, that is the behaviors, but the hearts and the heads of all the people we work with because we believe those are the most valuable things people can bring to the work place every day,” said Lidvall. “The creativity that comes with their heads and the passion and the zeal that comes with their hearts—they have to choose to volunteer that. You can’t pay people for that. In order to create that volunteer opportunity to make the business better and differentiate it from the competitors, you have to create a workplace where people want to do that, and that is what we are trying to do with our recognition and appreciation programs.”



CHARLIE WALL

UNITED WATER

Charlie Wall, Senior Vice President, Human Resources

What new ideas can a 140-year old utility company with a mostly life-long, unionized workforce possibly offer today’s most aggressive and successful companies? Some of the best. Just ask Charlie Wall, senior vice president of Human Resources for United Water, an \$800-million and growing French-owned U.S. water service provider.

For many, a workforce with an average age of 43 and tenure of 17 years would provide reason enough to relax and worry about other workplace issues that seem more pressing than appreciating the great work of such loyal employees. However, it’s that tendency to get comfortable that worries Wall the most.

“We needed to find ways to energize this work force. We have a dangerous demographic to make sure that we are really moving and demonstrating the types of services that our regulators require and that consumers find necessary,” said

Wall. “From the standpoint of our growth; the balance sheet is not a problem, funding is not a problem. Our biggest challenge is the human capital. The talent to get us where we need to be over the next several years.”

And it’s a challenge Wall and his team take seriously, especially as they grow through the acquisition of many municipalities who look to the company to outsource their water utility needs.

“We regularly take over operations for cities who decide it’s time to outsource,” said Wall. “It is a real competitive advantage for us in those situations to go to the city and say, ‘The employees that we’ll be taking over from you mean a lot to us, and here’s how we demonstrate that commitment—through our recognition practices, through leadership training and development.’ Our approach to recognition really does differentiate us, and it has a material impact on our ability to get new contracts.”

Creating a successful recognition culture at United Water began with winning the hearts of mid-level managers, according to Wall.

“We had to do away with long-standing, cash-based programs that were not meeting the need for values- based, goal-oriented appreciation at United Water,” said Wall. “It was time to change the culture of the company to one where people understood why recognition was given and where recipients were honored with awards of their choosing, awards that would remind them of the experience and the reason for their recognition.”

With that philosophy in mind and support from senior management, in 2006 United Water made the switch to an online appreciation program. The web-based approach allowed all managers, regardless of their location, to log on to the company’s intranet and see a link to the recognition page where they could nominate an employee for recognition for behaviors that support United’s four core business drivers. An online wizard was also created to lead managers through a series of questions to best determine the appropriate level of reward.

“For us, getting programs approved for launch at the senior management level is rather simple,” said Wall. “Getting it sold down through the ranks is really our challenge.”

Wall’s success in getting that buy-in came when he employed the talent, energy and knowledge of O.C. Tanner’s Carrot Team.

“I had Scott Christopher, a speaker for O.C. Tanner’s Carrots Training team, take two hours at our annual manager’s conference,” said Wall. “He nailed the whole issue of recognition so succinctly. My managers were saying, ‘This is fabulous, when can we have it?’ So, I created internal demand for the program before we launched it. Mid-level managers had an expectation and an enthusiasm for the concept prior to launching the program. Their buy-in was key.”

Wall’s approach worked. The company went from recognizing and appreciating 5 percent of its workforce in 2006 to about 30 percent in just the first three quarters of 2009.

“Those numbers don’t count the thank you’s employees share in email and print through the program either,” said Wall. “And we see the impact in our

employee's enthusiasm for their jobs. In the customer service we deliver. In our ability to win new business. And in the general level of awareness other departments have for each other's achievements now. It's just a different culture and it's really gratifying."



GLADYS WILLIAMS-TILLMAN

AFLAC

Gladys Williams-Tillmon, 2nd Vice President of Corporate Training

When it's your job to prepare a company for 50 percent growth over the next five years, it goes without saying that talent development is at the top of your list. Couple that challenge with the fact that 55 percent of Aflac's company officers and 38 percent of its managers will be over 55 and headed toward retirement in the next decade, and you begin to understand why Gladys Williams-Tillmon is so focused on finding the leadership development tools that will move her company through its succession crisis.

As a leader for insurance provider Aflac's 4,500+ employees, Tillmon's challenge is not uncommon in an era when Baby Boomers are preparing to retire en masse. What is uncommon however, is Tillmon's solution to the problem—Driving Performance Through People. This unconventional leadership development program is centered on appreciation and the ability to recognize people efficiently and effectively to take the company to the next level.

"What O.C. Tanner partnered with Aflac to do goes beyond what many consider to be the realm of recognition," explains Tillmon. "It's strategic appreciation that turns talent management into part of the business plan. It's appreciation programs and systems that focus on strategic human capital decisions to prepare for future needs, while keeping a close eye on current talent. O.C. Tanner has been critical in developing our leadership development program."

Tillmon said bringing in the outside perspective of O.C. Tanner's Carrots team to get Aflac leaders motivated and engaged did volumes for the company.

"We do things a little different than most organizations," said Tillmon. "But O.C. Tanner 'Aflacized' all of the language in the training, all of the materials, so that they were speaking our language and the uptake from our managers was that much faster and more effective because of it."

Tillmon said executive leadership involvement, celebrating successes and making adjustments as necessary are the three elements most critical to cultivating a successful workforce now and for the future at Aflac.

"We have been on the list of Fortune's 100 Best Places to Work for nine consecutive years," said Tillmon. "We have also been recognized as one of the Top 125 Global Training companies for nine years. We're among the 100 best for Working Mothers, the 50 Best for Women according to Fortune, Top 35 great places for African American women and the list goes on. How can we sustain momentum? We'll do it through personalizing recognition and cultivating leaders who understand appreciation is a big part of assuring sustainability."



TOM STUEWE

SUTHERLAND GLOBAL SERVICES

Tom Stuewe, Senior Vice President of North American Operations

Ask Tom Stuewe and the first thing he'll tell you about recognition is that it's the "something missing" he wishes he would have discovered years ago. Press him further and he'll tell you the money he puts into recognition earns a 20-times return for the company and makes it a better place to work. As far as he's concerned, it's the company's best investment.

As the senior vice president of operations for the 24-site global company that does everything from mortgage loan processing to technical support for computer manufacturers to outbound selling, Stuewe struggles to bring the company's 24,000 employees under a common banner.

"We've got so many different activities that we're doing for so many clients, when O.C. Tanner told us that we needed to create some consistency across what were then more than 60 unrelated recognition programs it was a blinding flash of the obvious," said Stuewe. "Unity needed to start with common goals, clear, consistent communication, and a clear vision for what we appreciate as an organization."

In response to troubling employee survey results, Stuewe and his team focused their efforts into initiatives centered on furthering five key corporate goals. But, according to Stuewe, despite all their planning and improvements, something was still missing.

"I couldn't help but be bothered by the fact that despite fixing all of our five subgroup areas, we still hadn't done anything to strengthen or fix the relationships between our individual contributors and their supervisors," said Stuewe. "Then I read *The Carrot Principle* and it crystallized for me that the recognition factor is exactly what was missing in the organization...I bought hundreds of copies and made it mandatory reading for my people. Then we met with O.C. Tanner and we were on our way."

No business measure is more critical or more costly for Sutherland than turnover. And once recognition started to move the needle on that measure, Stuewe knew he had found the right accelerator.

"As an operations team we tell managers there are a multitude of dials and buttons you can push as you help fly the Sutherland plane, but none of them is as important to our business as attrition," said Stuewe. "If other industries say attrition kills, for us it is a homicidal maniac. Because of the nature of our business our revenue is immediately affected the moment one of our employees doesn't show up for work. We turn over our entire staff once a year. Getting strategic with recognition is about controlling that attrition through better engagement."

And Stuewe said after just 10 months, Sutherland's finance department reports \$5 million saved in improved attrition costs; 15-20-times their recognition investment.

The company's new approach to appreciation—consistent recognition offered for behaviors clearly tied to company values, presented in front of peers, and with options like clever e-cards and thank you notes employees can give each other on the spot, there is as noticeable a difference in office culture as there is in the bottom line.

“I've been with the company 14 years, and you'd be amazed at the difference that I've seen just in the past year since we've deployed some of these [recognition] activities,” said Stuewe. “You can tell a lot by walking around, particularly in a call center environment. People are happier, they say hello, they don't put their heads down when you walk by them in the hallway. There's a palpable difference in the attitude, the morale, and the overall enthusiasm levels.”

In the end, Stuewe offered this advice: “I am kicking myself for not having done this five or six years ago. Treat your people well. Recognize them when they do something. Put a program in place. Manage it. Lead it. Be consistent of cross programs. Hold your managers accountable for using the tool. I think too often I am guilty of managing the financials. Do the fundamentals. Do the right stuff. And the financials almost take care of themselves.”



ALICIA SACRAMONE

OLYMPIC PRESENTATION

Alicia Sacramone

O.C. Tanner's unique relationship as the provider of the U.S. Olympic Team rings provides the opportunity to invite Olympic guests to attend The Recognition Summit and be honored for their achievements.

This year Summit guests were treated to a visit by decorated Olympic gymnast Alicia Sacramone.

Sacramone holds two world championship titles and seven world championship medals; only two other gymnasts in the history of American gymnastics are more decorated. At the 2008 Beijing Olympics, Sacramone was captain of the U.S. gymnastics team and a key player in their hard-fought silver medal finish. Even more admirable, she is considered a true teammate. Sacramone is known as the spiritual and social leader of the squad.

Wearing her Olympic ring crafted by O.C. Tanner, the Boston native told the crowd it is important to notice and encourage greatness in others.

“It was my coach who pointed out to me that I had potential,” said Sacramone. “He pointed out that I could do great things and make a difference. And that made me think I could.”



MICHAEL WATKINS

ACCELERATING LEADERSHIP TRANSITIONS

Dr. Michael Watkins

One of the world's foremost authorities and celebrated author's on leadership, Dr. Michael Watkins, presented an insightful afternoon keynote regarding the critical and often overlooked role leadership transitions play within organizations.

Watkins shared data from 15 years of research with some of the world's largest organizations and his recent books, *The First 90 Days* and *Your Next Move*.

"The big client companies I work with experience somewhere close to 40 percent of people at the director level and above taking new jobs every year," said Watkins. "That's 2.2, 2.3 years of cycle time in each leadership position—and that is not at all atypical. Whether most of us realize it or not, there is a huge amount of turn going on within our organizations and there are things you can do to help with that."

The actual costs, not to mention the opportunity costs, for failed transitions are high, according to Watkins. That's why he says successful onboarding and leadership transitions should be a critical focus for organizations moving forward.

"It is really important to focus on transitions—moments where you or someone that affects you moves into a new leadership role," said Watkins. "Transitions are defining moments because they are considered both the most challenging times in the professional lives of managers...And [most] strongly agree success or failure during the transition period is a strong predictor of overall success or failure in the job."

Watkins advises all leaders, "The leaders that get themselves in the most trouble are the ones who are not focused enough on the learning process."

And it's that learning process, says Watkins, that underlies a common set of basic principles or themes for every transition from front line supervisor to President. Watkins outlined the following seven elements of successful transitions:

1. Organize to learn.
2. Establish A-list priorities.
3. Define strategic intent.
4. Build the leadership team.
5. Lay the organizational foundation.
6. Secure early wins.
7. Create supportive alliances.

Watkins then shared what he has uncovered as the biggest cause of failed transitions.

"What is the biggest cause of failure?" said Watkins. "The large majority, 75 percent, say lack of fit with culture is the biggest downfall of successful transitions. That means that if you dig into why people fail, it has virtually nothing to do with their competence in a technical sense. It is not that they did

not understand the business. It is not that they did not understand the industry. It is not that they did not understand how to be managers. It is all about the culture and politics of the organization.”

What can leaders today do to accelerate transitions and productivity in the highest levels of their organizations?

According to Watkins, “It is worth thinking hard about how you can help people onboard more successfully. I have come to believe that understanding and mapping your culture is at the core of successful onboarding. If you do not understand your culture, you will not know how to make the right tradeoffs between raw ability and cultural fit, and that is what needs to happen to make the onboarding process really work.

“When you think about pillars of effective onboarding, virtually everyone does a good job with the business orientation piece. Here is our beautiful company, here’s our lovely mission statement, here’s our strategy, here’s the financials, here’s our website, here’s our org chart. Where organizations typically do not do as good a job is around the next three, and they are really crucial: How do you help people adapt to the culture? How do you help people make the right connections politically? And how do you make sure expectations are really aligned up, down and sideways? And if you do those three things, you are going to have a much more successful time bringing people into your organization.”

Why worry about transitions now? Watkins says all indicators say the cease fire for talent is nearing its end.

“I believe that we are on the cusp of an actual recovery,” said Watkins. “I think it is going to take a long time and I think jobs are going to take longer to come back but I think things look reasonably promising at this point. That is obviously really good news. But the bad news is that as things recover, the competition for top talent is going to start heating up again...Companies are going to have to really refocus themselves as the budgets start to come back on and do enterprise leader development in a more systematic way. Companies had better make darn sure that the people they are hiring from the outside actually successfully onboard into the organization.”



CHESTER ELTON

CARROT CULTURE

Chester Elton, Senior Vice President of the Carrot Culture Group, O.C. Tanner

A sought-after international speaker, bestselling author, and consultant, Chester Elton took Summit attendees through a strategy session.

“One of the things we love to do is come into our clients and prospective clients and talk to them about the big picture. ‘What is your strategy?’ ‘What are you trying to do?’” said Elton. “You know O.C. Tanner is not a features and benefits company. What we want to do is provide you with a solution to some of your problems. We believe that recognition can accelerate business results, but only if it’s done properly and that takes some work.”

Elton reviewed the findings of the Global Recognition Study published earlier this year in the second edition of *The Carrot Principle*.

“We partnered with Towers Perrin to do this study in 13 countries around the world because we wanted to uncover the drivers of engagement worldwide and prove *The Carrot Principle* globally,” said Elton. “And what we found is that thank you is good business in any language.”

The study revealed the top three drivers of engagement to be:

1. Opportunity and Well-being
2. Trust
3. Pride in the Corporate Symbol

“The first two drivers of engagement were expected by Towers Perrin, but it’s that third one, ‘Pride in the Corporate Symbol’ that surprised them and delighted us,” Elton told the crowd. “It delighted O.C. Tanner because pride in the corporate symbol doesn’t mean, ‘Oh, you know the red in our logo matches mostly what I wear every day. Isn’t that a clever design, and we spent a lot of money.’ No, that’s not what it means. It means I look at the symbol and I feel this intrinsic pride, not only in the products and services that we supply, but the members of the community that we are.”

Elton then went on to explain that the study dives even deeper to discover what drives the drivers of engagement.

“We found that the number one driver of Pride in the Corporate Symbol was alignment. We keep our promises. The number one driver of Trust? Communication. And the number one driver of Opportunity and Well-being; the number one driver of engagement? Recognition. You can’t get there unless you understand this—recognition accelerates engagement,” said Elton.

Elton then took leaders through the four basic building blocks of appreciation and how each block helps communicate and address each people issue more effectively.

- » Day-to-day Recognition: Handwritten notes, verbal praise, small tokens and gestures. Keep it meaningful; be specific with your praise.
- » Above and Beyond Appreciation: Recognizing top achievers invites them to stay.
- » Milestone Recognition: Nine of 10 people can tell you the date they were hired. Honor commitment. Start early—recognize them in the first 90 days and encourage them to stick around for more.
- » Events: Celebrate as a team. Building team spirit, camaraderie attracts talent. And winners celebrate.

Elton ended by challenging leaders to be bold and lead even when it’s not the easiest thing to do.

“Why don’t people do it? I love this one, ‘Not in this economy.’ Let me change that to *especially* in this economy,” Elton told the crowd. “People are hurting more than ever. They need to know that you care. They need to know that they can make it through this. They need to know that you’ve got their backs, that

you can turn this baby around, and it *is* going to turn around. The way you treat people in bad times is exactly the way they will treat you in good times. Make no mistake about it.”

CARROT CULTURE AWARD PRESENTATION

Winner: Texas Roadhouse

TEXAS ROADHOUSE
FOUNDER KENT TAYLOR,
CEO G.J. HART,
COMMUNICATIONS
AND RECOGNITION
DIRECTOR DAVE
DODSON AND OTHER
COMPANY LEADERS
WERE ALL ON HAND
TO ACCEPT THE 2009
CARROT CULTURE
AWARD



Each year O.C. Tanner honors an outstanding company, whose efforts to appreciate and recognize its people have set it apart in its industry and with its employees. We select the honoree from among our more than 8,000 clients. The selection is based on the strategic nature, with which the company pursues its genuine purpose and business goals through recognition, the energy and the enthusiasm they devote to recognition and appreciation, and the results that are generated.

This year our winner comes from a surprising industry, given this tough economy. Few would disagree that the restaurant business is a tough one, especially during a recession. Geographically diverse, with fickle customers and high turnover; all the makings of a perfect storm. Despite all that, this year’s Carrot Culture Award winner is a \$1.2 billion, 325-unit restaurant chain that has stayed the course during a tough economy, and answered critics of its employee appreciation strategy with undisputed results. This company reports a 30 percent drop in turnover, with nine times as many stores in its “acceptable” turnover range, than just two years ago. Second quarter earnings in 2009 were up 31 percent and a year-to-date stock price that is up almost 16 percent.

O.C. Tanner is proud to welcome Texas Roadhouse to its list of distinguished Carrot Culture Award Winners. Congratulations.

For more information on engaging your workforce and achieving key results by recognizing great work, visit octanner.com.

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appreciate..

O.C. Tanner is the world leader at helping companies grow by appreciating people who do great work. Because celebrating great work inspires people to invent, to create, to discover. And when people are inspired, companies grow.

Our solutions include world-renowned Carrot Culture training, individualized assessment, solution design, implementation and ongoing support. We turn corporate goals into reality for more than 8,000 well-known customers worldwide.

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