

EXECUTIVE RECOGNITION SUMMIT

Sharing best practices to strengthen cultures, develop leadership, and engage people in the success of their organizations.

World-class leaders. World-renowned location. Organization-changing results. The 2007 Creating a Carrot Culture: Executive Recognition Summit held October 4, 2007, in New York City brought together some of today's most influential HR business and thought leaders to discuss how recognition is improving business results in their organizations. The conference, sponsored by O.C. Tanner Company, explored themes of leadership development, organizational culture, managing generational diversity, cultivating talent, reducing turnover, and developing an organizational brand.

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In addition to sharing new recognition strategies and successes, attendees learned why some of the world's most successful organizations are putting unprecedented emphasis on engaging employees to achieve better business results. Leaders discussed how strategic recognition is changing today's business environment and fielded questions about the impressive results of their recognition efforts.

The gathering included presentations and panel participation by: David Ulrich, Best-selling Author and renowned HR consultant; Bruce Pfau, Vice Chair, Human Resources at KPMG; Kent Murdock, CEO of O.C. Tanner, Nancy Koury King, Chief Operating Officer and Executive Vice President of Community Services for Ohio Presbyterian Retirement Services (OPRS); Michele Cox, Director of Employee Initiatives and Effectiveness at Quest Diagnostics; Joan Kelly, Vice President of Global Compensation and Benefits at DHL; Amanda Merriman, Senior Organizational Development Specialist for McLane Company; Kal Mistry, Senior Vice President of Human Resources for VITAS Innovative Hospice Care and Chester Elton, Best-selling Author of *The Carrot Principle*.

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 takes a look at how some of today's companies are defining and dealing with onboarding and the issues and challenges it represents.



NANCY KOURY KING

WHY RECOGNITION MATTERS

Nancy Koury King, COO, Ohio Presbyterian Retirement Services (OPRS)

While many may not consider recognition a matter of life and death, Nancy Koury King knows for the 15,000 patients OPRS serves each day, it truly is. King presented an impressive body of internal data relating the organization's recognition practices to improvements in important outcomes such as employee satisfaction, nurse retention, and overall patient wellness indicators. King's findings included research that also links the organization's recognition efforts to better patient outcomes and organizational results.

"Five of our top 11 indicators of job satisfaction are recognition related," shared King. "In short, those OPRS locations that are more effective at using recognition have lower turnover, better health department reviews, greater patient satisfaction and higher wellness indicators than locations that don't."

King shared the importance of communicating to people in organizations "at the level at which they can hear us—meaning that if it's data they want, share it; if it's stories they need, tell them." She illustrated this point by sharing the example of "Sharon" a Director of Nursing for OPRS who did not believe in taking the time to "recognize nurses for just doing their job." As King discovered, Sharon's reluctance was based on a singular focus on the well being

of OPRS patients. In order to win her over and educate this key manager on the importance of recognition, Nancy shared the impact recognition has had on improved patient wellness measures in locations with greater recognition. Locations with higher recognition scores reported fewer incidences of infections, pressure sores, improved health department scores and greater continuity of care. As King reported, Sharon and many other managers like her, have been won over and are now recognition advocates at OPRS because of the research King has done to prove the case for recognition.

“This data screams to our nurse managers,” says King. “There is an overwhelming preponderance of evidence that the recognition initiative works. It results in overall better patient care, happier nurses, fewer headaches for our managers and on and on. It’s a win for everyone.”

The biggest financial win for OPRS has been its ability to reduce turnover at those locations where recognition is used most effectively.

“When recognition is present and practiced effectively, our nursing turnover is reduced by 23 percent,” says King. “No matter how you figure your turnover costs, 23 percent is a big deal. And it’s an even bigger deal when you’re dealing with a population as important and scarce as nurses. We do everything we can to hang on to them and, aside from the basics, it looks like recognition is having the biggest impact.”

**PANEL DISCUSSION: FACILITATED BY ADRIAN GOSTICK,
BEST-SELLING AUTHOR, *THE CARROT PRINCIPLE***



MICHELE COX

Michele Cox, Quest Diagnostics

“We are a large company with 2,000 locations, 40,000 phlebotomists, 32 labs and international locations. Our key focus is reducing turnover and increasing engagement. Our program theme, “Unleashing the Power,” is focused on letting our employees know they matter. We made the switch from cash awards to gifts and instituted training. We started with just one hour of recognition training for our managers, but they wanted more, so we’re working on that. Recognition has really begun to integrate into our culture—engagement is increasing by the minute.”



JOAN KELLY

Joan Kelly, DHL

“Managers are the most important person in an employee’s life. We train our managers to know they make the difference. DHL looked at what’s driving business results and what’s important to the organization. Those are the things we reinforce all the way through our recognition initiatives—no matter where they are. When it comes to implementing international recognition, we allow locations to decide the details of their programs in accordance with what’s most effective and appropriate locally. However, we do provide a framework that says they must have day-to-day, performance, service and annual recognition award programs in place.”



AMANDA MERRIMAN

Amanda Merriman, McLane

“Our 15,000 employees serve every county in every state in the U.S. And more often than not there’s no one to say good job when you’re sweating your butt off in Phoenix! That’s why focused, strategic recognition is so critical for maintaining the quality of our workforce. We offer recognition for everything we hope to motivate—performance, loyalty and even wellness. Our biggest focus is training—train, train, train! We recently implemented a team of learning development specialists devoted to helping managers understand the critical role they play and how recognition fits into that. This gives them a “safe zone” to practice presentations, voice concerns and learn from each other. It’s definitely making a difference.”



KAL MISTRY

Kal Mistry, VITAS Innovative Hospice Care

“We can always improve our recognition efforts. The key is to not become complacent. We are charged with driving shareholder value and delivering the highest quality of care to our patients. It is important that we affect key challenges and recognition is one way we address important concerns and meet the challenges before us. Recognition helps us promote our brand internally – where it matters and where it translates into better services for our patients. People may have the skills to do a great job, but we have discovered that without praise they are not fully engaged.”



BRUCE PFAU

Turning Challenge Into Opportunity Bruce Pfau, Vice Chair, Human Resources, KPMG

Turning challenge into opportunity is something Bruce Pfau knows a lot about. After joining KPMG in 2004 as its new Vice Chair, Human Resources, Pfau was challenged to bring the organization and its people through one of the toughest times in the history of the company.

“The Big 5 had just become the Big 4 and the war for talent was intense,” explains Pfau. “Our people were experiencing unprecedented workload due to Sarbanes-Oxley standards (a federal law requiring enhanced oversight and reporting for accounting firms) and other external factors. Our turnover was in the mid-twenties and only 53 percent of our people agreed with the statement, ‘KPMG is a great place to work.’ Clearly we had work to do.”

Today KPMG’s annualized turnover is down over five percentage points and at historical lows for the organization. Headcount is also up nine percent over last year and 12 percent over the last two years. And 76 percent of their employees now agree with the statement, ‘KPMG is a great place to work.’

What has made such a big difference in such a short time for this accounting giant? Pfau cited several factors that have come together to write this turnaround story, chief among them: leveraging positive momentum, developing a laser-focused leadership team, following through on commitments to employees and reward program enhancements.

“Don’t wait for your own crisis to occur to turn engagement and people processes around,” counseled Pfau. “You must build a well of positive momentum you can draw on when times get tough. That means work/life programs, diversity improvements and bringing fun back in the workplace.”

Pfau also credits a cohesive senior leadership team that taught the organization to survive and then prevail.

“Our leadership team is all over everything—including culture issues,” says Pfau. “We have implemented a series of concrete action steps that have led to big jumps in our survey scores. Ultimately, those types of senior level actions are reassuring to our partners, our clients and our people.”

KPMG’s commitment to following through on promises also had a big impact on the success of the organization in keeping key talent through turbulent times says Pfau. “We followed through on every promise we made to our employees regardless of the tough circumstances we found ourselves in. Whether it was bonuses or capital expenses, we did it. That led to a tremendous reassurance for our employees.”

Then, at a time when most organizations would consider cutting recognition programs, KPMG chose to enhance theirs.

“There is only so much you can do with other initiatives before you hit the wall,” says Pfau. “There’s only so much time off you can give, parties you can have, etc. But with recognition you cannot go overboard. A thank you is a potent thing.”

In addition to multiple benefit program upgrades, the company rolled out “Encore,” a spot bonus performance recognition program with performance levels ranging from a simple thank you note to a \$2,000 super level.

“The results of the Encore implementation have been interesting,” said Pfau. “We ranked key metrics from the high-user Encore locations versus the low user locations and found that those locations that use the Encore program more often have an average turnover rate two points lower than low-use locations. When you consider that each point of turnover means \$10-15 million to the bottom line, it makes the \$7 million we’re spending on recognition the least expensive thing we can do to keep employees.”

KPMG is now listed among Fortune’s 100 Best Places to Work, the Top 10 Companies for Working Mothers, and BusinessWeek’s 50 Best Places to Launch a Career.



DAVID ULRICH

COMPETING IN A NEW WORLD: TALENT, CAPABILITY AND LEADERSHIP BRAND

David Ulrich, Best-selling Author/ HR Consultant

What's happening in business that changes the HR game and how can we bring a spirit of recognition to help face those issues? That's the question HR guru and leading consultant David Ulrich asked 150 Executive Summit attendees to consider. Ulrich led a lively, nearly two-hour discussion with the group on their biggest HR issues and the best methods for making a real difference in their organizations.

Ulrich considers changes in technology, industry and economic trends, and the demographics of today's talent as a globalization challenge that is changing the context in which HR operates.

"We create value when we manage the individual and the organization," said Ulrich. "We have to maximize individual ability with organizational capability. An organization's primary goal should be to build leadership, not leaders. The ultimate test of a leader is whether they can build a culture that outlasts even them."

His answer? Ulrich outlined a Talent Formula he said engages not only the hands and feet of employees but also the minds and souls of those closest to the organization.

"We must consider competence, commitment and contribution as the keys to creating a Talent Formula that will create victories for our organizations," said Ulrich. "By taking the time to define what competencies are critical to individual roles, creating opportunities for commitment to flourish—where employees feel that what they give is equal to what they get from the organization—and marry that with people who have the potential to make meaningful, abundant contributions, we will help build a culture that attracts more customers."

Ulrich went on to lead the group through several exercises designed to help them think about their own brands, how they are defined and how HR can best help build the brand.

"We are working on creating an employee value chain," said Ulrich. "When employees are more committed, clients are more committed. The job of a leader is to turn customer expectations into employee actions. That means in order to keep up with the pace of change and expectation, we must build our brands from the outside in."

In building a successful brand, says Ulrich, organizations must be careful to build leadership that reflects what the organization wants to be known for. Ulrich showed that the world's most successfully branded organizations have earnings premiums that can only be attributed to the intangibles of the organization, namely leadership.

"The job of an HR leader is to build talent, culture and brand," said Ulrich. "When companies like Pepsi and GE have price-to-earnings ratios at a 20 to 30 percent premium over others in the industry I can only conclude that it's the intangibles like leadership that bring such value to the organization. And that is the difference between generic leaders and branded leadership."

So what are the implications for recognition and building branded leadership in an organization?

“We have to pay attention and make sure people are being recognized first and that they are being recognized for the right stuff,” says Ulrich.

Ulrich suggests considering the following questions to link recognition to creating a leadership brand in any organization:

Have we linked recognition to the right standards?

- » Talent: Do you recognize individual performance?
- » Organization: Are your recognition practices consistent with your culture?
- » Leadership Brand: Do your recognition efforts connect customers and employees?



CHESTER ELTON

THE CARROT PRINCIPLE

Chester Elton, Best-selling Author

The ever-lively Chester Elton coupled his enthusiasm for recognition with the undisputable results of the 200,000-person study revealed in his latest book, *The Carrot Principle*.

Elton focused on the need for HR to shift focus from moving the needle on employee satisfaction to increasing employee engagement, making the point that many employees are highly satisfied, but not engaged in the cause and mission of their organizations.

“Great managers engage their employees, they have a plan and they work the plan,” says Elton.

Elton shared ideas from some of the world’s leading organizations and culture innovators such as DHL and Zappos.com, and the difference engaged employees can make in creating a stronger, more profitable organization.

“Great management is born when recognition is added to the other characteristics of leadership,” said Elton. “It is statistically impossible to be a trusted, communicating, team-building, goal-setting manager unless you use praise and recognition.”

Study statistics reveal, explained Elton, that managers who were rated highest in recognition and what he calls the basic four leadership skills—goal setting, communication, trust and accountability—had the top scores for customer satisfaction, employee engagement, retention and profitability.

Elton also stressed the importance of onboarding, or recognizing and engaging employees early in their careers.

“Onboarding is the process to develop dedicated, productive and engaged new

employees who are more likely to stay and stay committed,” said Elton. “Who doesn’t want that? Who doesn’t think that brings value to the organization and adds money directly to the bottom line?”

Elton cited a recent study that revealed the importance of a structured onboarding process. According to the research, 69 percent of employees were more likely to remain with a company after three years when the employer had an onboarding program in place.

“Winners celebrate, best-in-class celebrate,” said Elton. “Bring that to your organization. Invite your employees to engage in a winning culture.”



DAVE PETERSEN

2007 CARROT CULTURE AWARD TO DHL

Presented by Dave Petersen, President, O.C. Tanner

For three years now the Carrot Culture Award has represented the best in companies that have taken the spirit of the Carrot Culture back to their organizations, implemented it, and enjoyed business results because of it.

This year is no different. Express delivery giant DHL has cultivated near best-of-class status in many key areas of employee satisfaction. Recent employee surveys indicate DHL has been successful at not only engaging its employees in achieving the goals of the organization, but also in training its managers to become more relevant to their employees and drive business results from the ground up.

DHL was recognized with the 2007 Carrot Culture Award for using strategic recognition to:

- » Recognize their recipients for living the “I’m On It” brand and reinforcing their “First Choice” business initiative
- » Help managers understand why recognition is important and create meaningful tools to execute the strategy

DHL has also been overwhelmingly successful in raising overall awareness and utilization of the recognition program as evidenced by a 330 percent increase in program participation in 2006.

Congratulations to DHL and its managers for creating a Carrot Culture.

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

“I appreciate that The Recognition Summit was what it was billed to be—a high level forum for sharing ideas and getting the practice of recognition right in our organizations. Personally, I have so many events to choose from, it is critically important that I make the most of the events I choose to attend. The Summit provided me with key takeaways.”

— JEFF SHUMAN, VICE PRESIDENT HUMAN RESOURCES AND CORPORATE RELATIONS,
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