

# Outlook for 2008

## MOTIVATION, RECOGNITION AND REWARDS

*Dollars & Sense! Employee Recognition Impacts the Bottom Line*

**D**ue to the imminent global talent crisis, recognition and rewards are now a chief topic in the workplace. According to the Center on Aging and Work at Boston College, the next decade will see millions retire.

This new study shoves the impending worker crisis into the lap of every organization. Companies will be struggling to find and keep a qualified work force. Key drivers behind employee retention and engagement are recognition and rewards.

Organizations must boil down the talent crisis into dollars and cents. Studies vary on replacement cost of lost talent. Figures can range from \$10,000 up to \$50,000 per employee. Using the hospitality industry as an example, the average turnover rate is 49 percent. If an organization has 100,000 employees, at 49 percent turnover, they lose 49,000 employees a year. Using the lowest figure of \$10,000, replacement cost per employee multiplied by 49,000 employees equals \$490 million in replacement costs alone. And, remember, that is using the lowest replacement figure. At the highest replacement figure, the cost skyrockets to more than \$2 billion.

One of the key strategic implications of recognition is that it reduces turnover. This statement was confirmed through the recognition practices of the Recognition Professionals International 2007 Best Practice—Best Overall Recipient. Every year, Recognition Professionals International honors organizations that exemplify standards of recognition program excellence. This year's recipient, MGM Grand Hotel & Casino, excelled in all seven Best Practice Standard categories.

The RPI Seven Best Practice standards reflect thorough research that included examining successful recognition programs, reviewing academic literature and conferencing with experts. They are intended to provide guidelines for the creation and evaluation of recognition programs for all organizations.

Organizations reap bottom-line results when employee recognition programs are administered correctly. MGM Grand's employee recognition program hit the jackpot on all areas. In 2004, MGM Grand began tracking the

### RPI Seven Best Practice Standards

Recognition Professionals International's Seven Best Practice standards of recognition program excellence are:

Recognition strategy

Management responsibility

Recognition program measurement

Communication plan

Recognition training

Recognition events and celebrations

Program change and flexibility

productivity of personnel in each department. The overall employee satisfaction score in 2005 was 90.3 percent, up from 87.5 percent in 2004.

Looking forward to 2008, companies that have not yet implemented, or have not perfected their program, can look toward MGM Grand's recognition program for examples. Company officials stated their employee recognition program increased revenue, decreased employee turnover and has led to an ever more positive experience for their guests.

### Case Study: MGM Grand

MGM Grand's program consists of several components that ensure positive, targeted behaviors are recognized and rewarded. Some of these components are daily behaviors and others are periodic. Some involve token rewards and certificates and others involve substantial rewards and



# WARDS

ceremonies. What all program components have in common is that they are effective, conducted evenly and fairly, and are continually evolving.

“At MGM Grand, we have found that recognition is important business,” said Bette Gaines-Snyder, MGM Grand’s director of slot and employee events. “It is clear that effective recognition, in all its forms, strongly enhances morale and ultimately increases productivity in the workplace. When you have an effective employee recognition program, that makes for good business and everybody wins.”

In the slot department, slot club enrollments per employee increased from 1,052 in 2004 to 1,582 in 2005. That’s 34 percent. Officials predict that the 2006 figure will be more than 2,000 enrollments per employee. Management believes that without the increased engagement provided by recognition and awards, employees would not be motivated to enroll more players while salaries remain the same.


“Recognition is a major part of our culture,” Gaines-Snyder said. “We have created an environment where employees feel appreciated every single day, and I mean every single day.”

Daily meetings before the employees begin their shift are one regular venue that MGM Grand has for recognizing employees. The emphasis on daily recognition is one reason that MGM Grand was cited as the 2005 and 2006 winner of *The Best Place to Work in Southern Nevada* by the Southern Nevada Human Resources Association, an affiliate of SHRM.

Senior management’s role in defining MGM Grand’s recognition strategy is significant. It begins with the president’s approval of the annual budget for employee recognition, which is more than \$500,000. Recognition programs are designed and modified every year to align with the company’s strategic plan.

## Measuring Results

Every quarter, when MGM Grand department heads meet with the CFO and finance department to review profit and loss, they also look at the productivity of their work forces. They track productivity numbers to see if the communications, training and culture of recognition are having a positive impact on performance. MGM Grand officials found that if they increase employee satisfaction through recognition and awards, they don’t necessarily need to increase wages.

Looking to 2008, organizations will find it essential to implement well-organized and effective recognition programs in order to motivate, retain and attract top performers. A strong recognition program reduces turnover, increases productivity and profitability, attracts a better recruiting pool and improves retention of your top performers. Add it up. When it all comes down to dollars and cents, employee recognition programs make sense! 

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### Strategic Implications of Employee Recognition

Reduces turnover

Increases productivity and profitability

Creates a positive work environment

Elevates customer service, sales and satisfaction

Attracts a better recruiting pool

Improves retention of top performers