

How Can AI Transform Employee Recognition?



DEFINITIONS

Employee recognition is the intangible acknowledgment of individuals and teams for their behaviors, personal efforts or contributions.

Employee engagement is the extent to which employees are motivated to contribute to organizational success and are willing to apply discretionary effort to accomplish tasks important to achieving organizational goals.

Artificial intelligence (AI) refers to the ability of computer systems to perform tasks that normally require human intelligence. It is a broad field encompassing theories and developments in computer science, cognitive science, mathematics, philosophy, neuroscience, linguistics and more.

FACT

Managers with highly engaged employees deliver **improved business outcomes**, including increased retention, higher productivity rates and lower absenteeism.

In the not-too-distant future, employee recognition platforms will expand the use of AI to help managers and peers deliver more personalized and meaningful human interactions that improve engagement, performance and retention.

The following pages present a blueprint for the future of AI-enabled employee recognition experiences.

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Introduction

Many leading HR organizations have successfully integrated AI technologies into recruiting processes. AI and machine learning are now also improving recognition experiences. Yet there are important differences between the effective use of AI in recruiting and recognition. In recruiting, AI has proven most successful in helping decision-makers source, screen and evaluate large numbers of candidates. For managers, recognition is not a volume process but a personal expression of appreciation.

Given this, one might ask whether using AI in employee recognition makes employees' experiences impersonal. While the risk of depersonalization exists (along with legal and regulatory requirements for all AI applications used in HR), AI tools can help HR leaders address several challenges that currently hamper the effectiveness of recognition programs.

We discussed the potential benefits and risks of AI in employee recognition in a recent roundtable session with members of the Trendicators Advisory Board. Engage2Excel's president, Jeff Gelinas, led the discussion, in which he was joined by Dr. Charles

Scherbaum, Engage2Excel's chief analytics officer, and Emily Gatton, senior vice president for sales, solutions and professional services. While many of the advances discussed on the following pages are forward-looking, they represent a blueprint for AI's future in helping managers become more effective at engaging, motivating and recognizing their team members.

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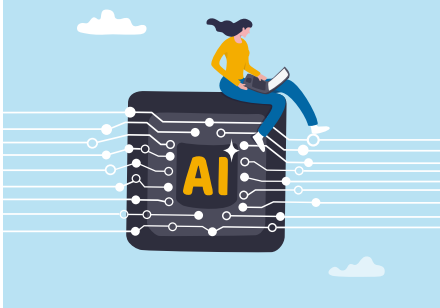


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Trendicators is the research division of the E2E group of companies, leading providers of engaging career and consumer experiences. Trendicators provides original HR research and reports on insights and best practices from industry leaders and experts.



How Can AI Improve Recognition?



Employee recognition is a personal expression of appreciation that can improve engagement, enhance individual and team performance and reduce attrition. Managers profoundly influence the practice and effectiveness of employee recognition programs, yet HR leaders often lack the resources to help managers improve their engagement and recognition skills. The following provides a high-level overview of how AI can address these challenges.

Challenges

- Managers are overburdened and often asked to do more with less.
- Over two-thirds of managers have received little or no training in people management. Many don't understand how to deliver recognition effectively and underestimate the importance of employees being appreciated for their behaviors and contributions.
- Managers often lack insight into the activities and actions of individuals and teams contributing to organizational success and merit recognition.
- Common excuses given by managers with low employee engagement scores include a perceived lack of time and a belief that recognition is unnecessary because employees are simply doing their jobs.
- Inadequate language and writing skills can inhibit managers' ability to express recognition in a manner seen as genuine and authentic.

Opportunities

- In the future, machine learning and AI will be integrated with the tools managers use to plan, communicate and coordinate daily activities, providing insights, advice and coaching to improve recognition effectiveness.
- AI tools can monitor various sources of information, collecting and analyzing data to improve managers' situational awareness. However, these tools must be designed to function as copilots, providing suggestions and mentoring to improve interactions in real-time.
- Suggestion engines will make delivering recognition faster and easier for managers. They can provide personalized message drafts that managers can use or edit to make their own. AI tools can also improve communications by identifying words or phrases that may be inappropriate or perceived negatively.



Experiential & Regulatory Risks



This publication focuses on the future use of AI in recognition systems, for which the growth of AI tools in the workforce provides an important context. A May 2024 survey by Microsoft found that 75% of knowledge workers use AI, and 46% of users began using it less than six months ago. However, using AI in HR support functions poses unique challenges and risks, which are described in the following overview of the hurdles that recognition platform providers and their customers must overcome.

Managing Experiential Risks

Fit-for-purpose design: AI can help managers improve recognition in many ways, from automating notifications and reminders to providing support for personalizing messaging and rewards. Purpose-built systems will support rather than replace the manager's role in recognizing and motivating teammates.

Preventing depersonalization: The greatest risk posed by AI in recognition is that it will replace genuine human expression with robotic communication that lacks authenticity. This risk can be minimized by carefully designing how data sources, algorithms, language models and suggestion engines are used to make recognition more authentic and personally relevant.

Improving powers of observation: AI can sharpen managers' insights into the actions, behaviors and progress that merit recognition, thereby enhancing opportunities for meaningful engagement.

In-the-moment reminders and support: Just as today's scheduling and writing tools provide personalized and contextual support, AI-enabled recognition platforms can help busy managers deliver recognition with less effort and greater effectiveness.

Managing Compliance

Compliance with existing regulations: If one of an organization's talent management processes adversely impacts a group protected under the law, employers must demonstrate how the process is related to the job or necessary for business. While most current legislation focuses on the use of AI in hiring practices, systemic uses of AI-supported employee recognition practices will likely be subject to similar scrutiny to ensure fairness.

Evaluation of data models and sources: AI can inadvertently exacerbate existing discriminatory practices if not carefully managed. Systems that learn from historically biased data may perpetuate or intensify those biases, leading to unfair practices. Platform providers need to conduct audits to reduce the potential for bias in system-generated recommendations.

Ensuring privacy and security: To protect privacy and ensure data security and integrity, employers should exercise caution when sharing data with AI applications. When implementing AI platforms or tools, it is essential to engage key stakeholders from the IT, legal, finance, procurement and compliance teams.



Improving Manager Effectiveness



Today, recognition platforms operate largely outside the realm of the tools and applications managers and their teams use to accomplish their work. The next wave of AI innovation is called agentic AI. While generative AI chatbots, copilots and suggestion engines assist users with specific tasks, they are largely reactive, responding to user input based on a predefined logic. In contrast, agentic AI systems are proactive, acting autonomously to plan ahead. They can adapt to new challenges by using internal models, learning algorithms and decision-making processes to navigate and interact with various

sources of input and applications. Agentic AI systems will be used within enterprises to manage and improve financial operations, customer service, procurement, cybersecurity, payroll processing, data management, regulatory compliance and risk mitigation processes.

In recognition, generative and agentic AI systems can work together as intelligent assistants to help managers build strong, genuine connections with employees. The following scenarios illustrate some of the ways AI can be used to improve manager effectiveness.



Moving beyond automated reminders and suggestions: Currently, recognition platforms can trigger reminders for managers about upcoming career milestones, suggest messaging and recommend rewards based on employee preferences. These support functions, which improve recognition frequency and effectiveness, are common across most platforms. With advances in the use of AI, these functions will evolve to provide valuable insights, relevant information and recommendations to help managers create meaningful, in-the-moment interactions with employees.



Understanding interests and preferences: Employee reviews, one-on-one meetings and profiles offer important insights into employee goals and aspirations, as well as guidance on how, when and why they wish to be recognized. Through contextual reminders and suggestions, AI-enabled recognition platforms can help make recognition more personally relevant and ensure that preferences are respected in email, text or verbal exchanges.



Increasing recognition opportunities: Traditional performance recognition programs have focused on rewarding the achievement of specific milestones or recognizing the highest-achieving individuals, teams or departments. While these programs have proven successful, they often fail to acknowledge team members' incremental improvements. When integrated with other workplace applications, including social channels, collaboration and project management platforms, AI recognition systems can provide managers with the enhanced situational awareness they need to deliver timely, relevant and specific recognition.



Creative messaging tools: Many managers require help and encouragement to deliver meaningful expressions of appreciation. Current systems assist with selecting the right award recommendations for individual employees. In the future, AI tools can help managers and peers craft fun and highly personalized messages, including images, animations and short videos to help convey the sentiment.

IMPROVING MANAGER EFFECTIVENESS- CONTINUED



Prioritizing recognition: In his book *The Employee-Centric Manager*, Engage2Excel's chief scientific officer, Dr. Jack Wiley, reports that most managers significantly underestimate the importance that team members place on being recognized for their achievements. AI-enabled assistants can help managers incorporate recognition into daily interactions with team members. Agentic AI systems can also identify managers who fail to prioritize recognition, providing in-the-moment mentoring and reports that correlate manager engagement levels with KPIs, such as cycle times, productivity, customer satisfaction and employee turnover. These systems can also incorporate data derived from employee feedback surveys and provide managers with reports documenting an employee's progress relative to their peers.



Enhancing performance recognition: In the future, AI-enabled employee recognition platforms will monitor enterprise platforms and channels to track achievements, including project completions, collaboration, the acquisition of new skills and other career milestones. Unlike simple notifications, future platforms will provide tools for personalizing acknowledgments of these successes. They will also help managers identify and amplify recognition on the part of peers and business leaders across the organization.



Career advancement support: One of the attributes employees most admire in a manager is support regarding achieving career goals and skills development. AI-enabled recognition platforms can correlate employee goals from profiles and employee reviews with the available learning and development opportunities, enabling managers to make specific recommendations based on employee interests and celebrate achievements along the way.



Making meetings more engaging: All managers look for ways to make meetings more productive but often lack time to prepare in advance and structure meetings in a way that will engage attendees and facilitate meaningful interaction. In the future, when a meeting appears on managers' calendars, along with those of attendees, agentic AI tools can help gather relevant background information, suggest discussion topics and draft agendas before the meeting. Generative AI tools can then summarize the meeting, list key takeaways and even provide draft follow-up messages to participants.



Personalized feedback loops: A common problem reported in employee feedback reviews is that managers listen to superiors, rather than direct reports. Also, many managers lack active listening skills when engaging in two-way conversations. Both conditions contribute to reduced employee engagement. AI platforms integrated with enterprise systems can monitor the activities of team members and provide real-time, data-driven suggestions to enable personalized feedback loops and thus help managers communicate effectively in written and verbal interactions.



Reducing Bias: AI can play an important role in helping to reduce unintentional bias in recognition. By deploying predictive analytics and machine learning algorithms, an AI system can evaluate performance based on defined KPIs, help ensure fair and consistent recognition for all team members and identify the use of negative or inappropriate terms. This objectivity will help ensure fairness and boost the credibility and effectiveness of managers.



Overcoming disengagement: Disengagement is a challenge for all managers, and recognizing and addressing disengagement requires specialized expertise. In the future, managers who seek help in dealing with a disengaged employee will be able to access expert mentoring suggestions and plans based on the specific details of the employee's history, profile and performance record. These systems, which will incorporate personalized and contextual "nudges" or suggestions instead of directives, have proven extremely successful in influencing behaviors when incorporated into change management initiatives.



Reducing Early Attrition



Recruiting and onboarding experiences play a vital role in influencing early attrition rates. While recognition program owners are not always directly involved in supporting these processes, they should help coordinate experiences throughout the talent lifecycle. Participants in Engage2Excel's 2024 Trendicators Job Seeker Survey reported that the demonstration of respect, recognition and appreciation during the hiring process had the greatest influence on their decision to accept or reject a job offer.

The survey also revealed that 65% of respondents said the first day of their onboarding experience is likely or highly likely to affect their decision to stay at a company for more than a month. Furthermore, 63% stated that their overall onboarding experience would influence their decision to remain for more than a year.

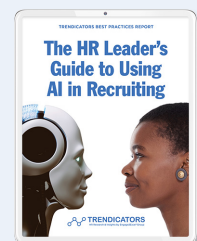
The following is an overview of how AI can help improve hiring and onboarding experiences to maximize your organization's talent advantage in today's highly competitive employment environment.



Creating better candidate experiences: Technology has helped employers become more efficient, but the extent to which recruiting automation solutions have created negative perceptions among candidates continues to cause concern. AI-enabled hiring management platforms can help humanize hiring experiences to develop stronger personal connections and establish a culture of appreciation to improve hiring outcomes. AI assistants can remind hiring managers to recognize candidates' achievements and demonstrate respect and appreciation for the views expressed during the interview process. Celebrating offer acceptance positively affirms the decision to join an organization. This can include personal emails from everyone involved in the hiring process. Once an offer has been accepted, appreciation can be shown for the new hire and their loved ones by sending a personalized, company-branded gift to their home.



Improving onboarding experiences: Manually administering onboarding processes can be time-consuming, monotonous and expensive. AI-enabled onboarding platforms can reduce administrative burdens and tailor experiences to an individual's role, progress and preferences. Interactive AI platforms can provide personalized learning pathways based on an individual's skills and learning style to improve engagement, reduce time to productivity and improve retention. Digital assistants can help by automatically submitting new hire tickets, sending orientation schedules and facilitating interaction with mentors. They can also gather post-hire feedback to improve onboarding processes.



More information:

To learn about managing the benefits and risks of AI in recruiting, [click here](#).

Key Takeaways

Our client advisors unanimously agreed on current challenges regarding improving managers' effectiveness in delivering positive and more personally relevant recognition experiences. They also concurred that incorporating AI into recognition practices will require careful planning to ensure the accuracy of system training data, as well as collaboration with senior leadership and IT, legal and procurement teams to align with enterprise strategies and policies for the governance of AI. These quotes summarize the insights and feedback from advisors.

“As with all new technologies, adoption will be key. It has always been a challenge for recognition program managers to influence the day-to-day behaviors of managers. The ability of new systems to function as co-pilots or intelligent assistants during daily interactions could be a real game changer.”

“There are so many important things behind the scenes that are impossible for managers to keep up with in addition to their other responsibilities. Automating data-driven insights and suggestions will help managers do a better job of engaging and motivating their teams, and also free recognition program managers to focus their efforts on analyzing and optimizing program impacts.”

“The use of predictive analytics is particularly appealing. The ability to track behaviors and document business outcomes will be very beneficial in helping to identify the areas of our enterprise that are using recognition exceptionally well and where additional coaching is needed.”



About Hinda Incentives

Hinda offers a variety of programs that drive engagement through recognition, including:

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- Employee Recognition
- Performance
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- Safety
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We will guide you through all program development phases—including program creation, launch, ongoing administration, promotion, and fulfillment of rewards—and design solutions that drive performance and engage, inspire, and reward the most important drivers of success: your workforce and customers.

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