# The Business Value of Employee Recognition: 2025 Trends and Insights

What the latest research reveals about recognition as a driver of performance, culture, and profitability.

**kudos®**

# Contents

**The State of Employee Recognition 2025**

# Finding: 85% of HR leaders measure employee engagement as a primary recognition outcome, and 42% track retention and turnover rates.

"Recognition isn't just about making employees feel good — it's about building the kind of cultures that drive performance, retention, and results."

*— Muni Boga, President, CEO and Co-Founder, Kudos*

# Recognition has become the engine of engagement and performance.

Employee engagement is no longer about perks or programs, it's about purpose and connection. Employee recognition has emerged as one of the most effective levers for employee retention, motivation, and productivity.

## Insights:



Organizations that embed recognition into daily work see stronger engagement and lower turnover.



Budget scrutiny and hybrid work have forced HR teams to prioritize what truly moves the needle.



Recognition is where culture, performance, and efficiency meet, driving engagement and optimizing results.

## Trend Overview:

**Culture**, **Cost**, and **Connection** are the three forces currently redefining engagement.

**What's Driving Change in Employee Recognition**

# Finding: Two-thirds of organizations (64%) report that budgets prevent them from giving recognition.

# People, technology, and performance are converging to redefine recognition.

Recognition programs must adapt to meet modern workforce realities such as distributed teams, AI-powered workplaces, and the growing demand for measurable impact.



**Insights:**



Recognition expectations have risen: employees want personalization and authenticity.
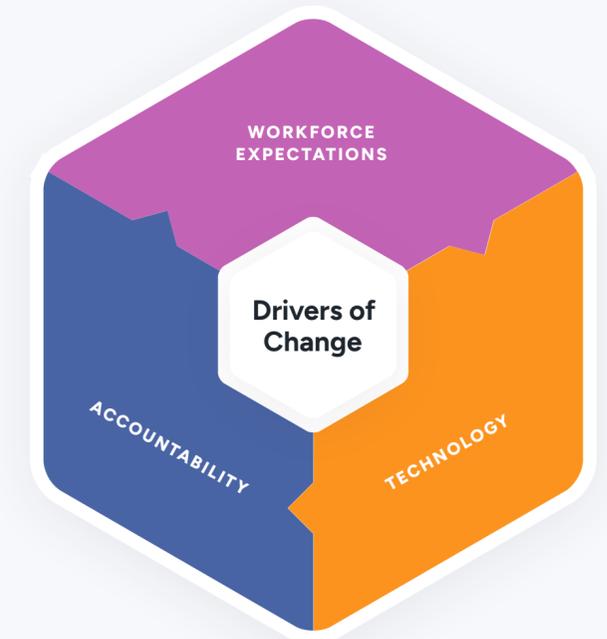


AI and automation enable consistency and scale without losing the human touch.



Business leaders are demanding proof that recognition drives results and not just morale.

**Trend Overview:**

**Workforce Expectations**, **Technology**, and **Accountability** are drivers of change.



WORKFORCE EXPECTATIONS

Drivers of Change

ACCOUNTABILITY

TECHNOLOGY

# Inside the 2025 Employee Recognition Trends Research

# A cross-section of HR and people leaders reveals recognition's evolving role.

Conducted by TSC in partnership with Sago, Kudos surveyed 332 mid-market U.S. organizations to understand how recognition is managed, measured, and evolving.

**Key dimensions explored:**

Customization, Automation, Pricing, Support, and Scalability.

**Respondents:**

52% HR leaders, 48% people managers.



**Organizations:**

Respondents span diverse industries (see industry Breakdown in **Appendix A**) and structures, reflecting the broad state of recognition today.

**Key Findings:**

The study highlights where employee recognition drives the most value.

**Finding:** 41% of
organizations that switched
or implemented a new
platform describe their
program as 'very flexible,'
compared to only 18% of
those merely considering
a change, and 14% who
stayed with their provider.

# Modern recognition must be personalized, automated, and measurable.

The data reveals a clear evolution: recognition is moving from a "program" to an operational system. The most successful organizations are those that make recognition easy, consistent, and connected to business goals.



## Key Insights:

### Flexibility matters
Recognition must adapt to different teams, roles, and geographies.

### Automation enables participation
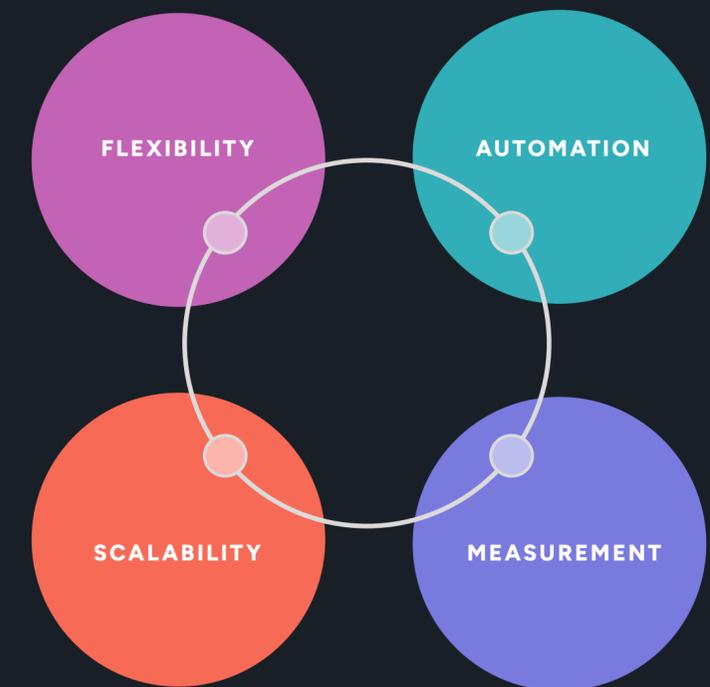AI-assisted tools are among the most valued features.

### Measurement is standard practice
Over 90% of organizations track outcomes like engagement or retention.

### Scalability
Programs must handle growth and complexity without losing simplicity.

## The Four Dimensions of Modern Recognition:



FLEXIBILITY

AUTOMATION

SCALABILITY

MEASUREMENT

**Manager Enablement: Turning Every Leader into a Culture Builder**

**Finding:** Managers are more likely than HR admins to feel budget constraints: 29% of managers say budgets significantly limit recognition versus 19% of HR leaders.

# When recognition is easy for managers, culture thrives.

Managers are the gateway to recognition success. When they're supported with automation, guidance, and no-cost options, recognition becomes a habit, not a task.

## Key Insights:

Managers need accessible tools and reminders to make recognition timely and meaningful.

Non-monetary recognition options keep appreciation flowing even during budget crunches.

Manager enablement drives visibility, inclusion, and stronger team connection.

## Manager Enablement Flywheel:

*Culture, ease, frequency, and engagement reinforce one another, creating a cycle that drives stronger workplace performance.*



EASE

CULTURE

ENGAGEMENT

FREQUENCY
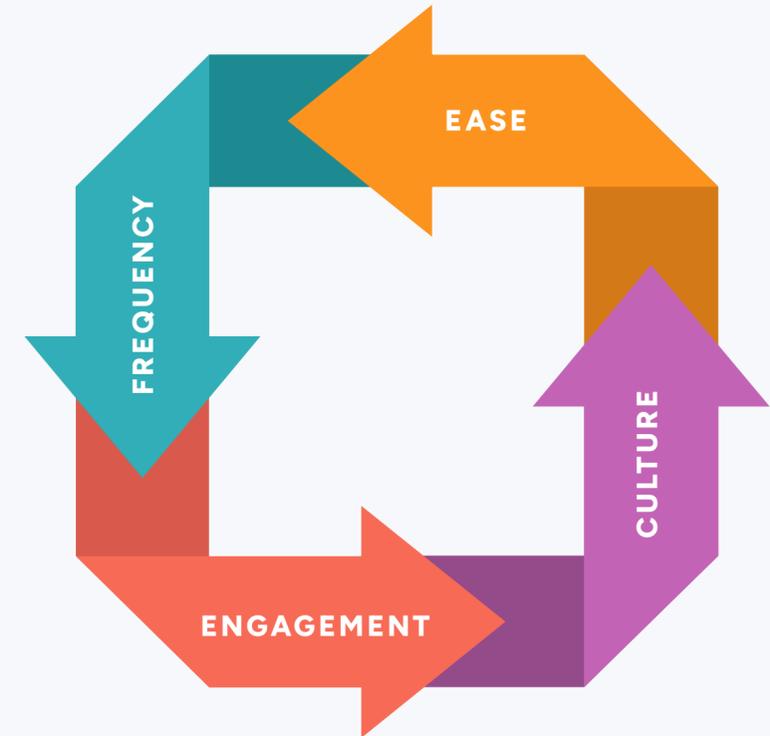
**Automation and AI: Making Recognition More Human**

**Finding:** AI-assisted writing tools are valued by 73% of HR admins and 60% of managers, and by 76% of organizations that recently switched recognition platforms.
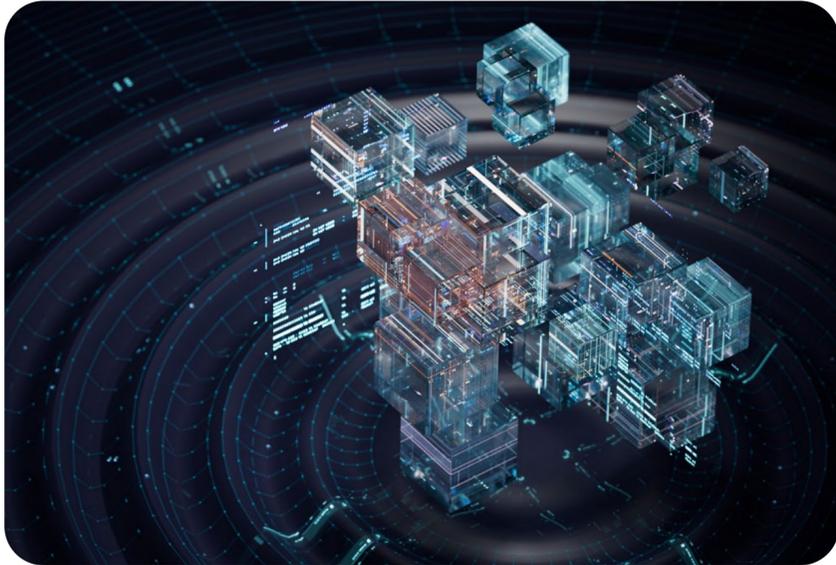
# Automation removes friction so recognition becomes everyday behavior.

AI isn't about replacing genuine gratitude, it's about making it effortless. Automated prompts, writing suggestions, and nudges help recognition happen in the moments that matter.
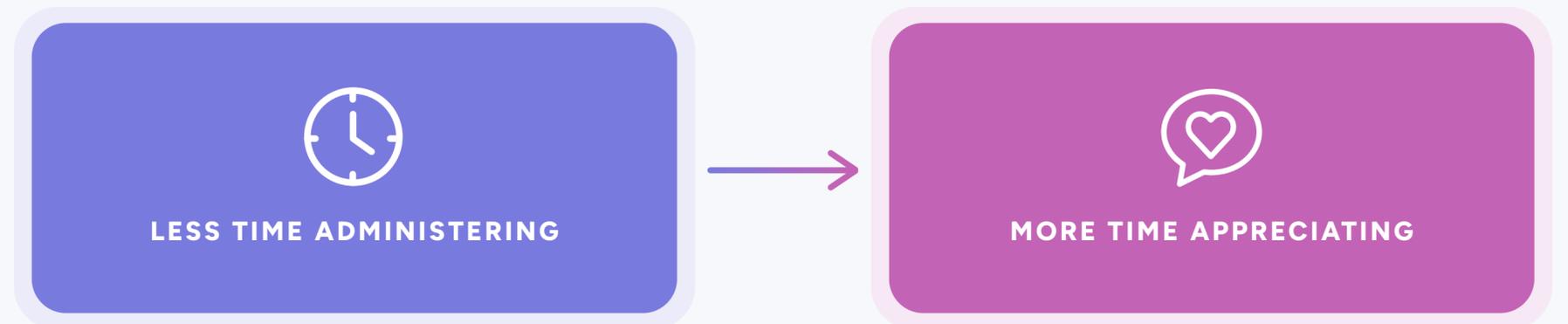
## Key Insights:

Most organizations now use some form of automation in their recognition processes.

AI tools reduce admin time and increase consistency.

Automation amplifies humanity by freeing leaders to focus on intent, not logistics.

## Technology as the Bridge:

**LESS TIME ADMINISTERING** → **MORE TIME APPRECIATING**

**Visibility, Control, and the Real ROI of Appreciation**

**Finding:** Over two-thirds of organizations that recently switched recognition platforms (69%) cite budget constraints, showing that recognition activity is growing faster than allocated budgets.

# The strongest programs link recognition and financial visibility.

Recognition budgets remain under pressure, but organizations are adapting with smarter tools for tracking and control. HR leaders need visibility into where the money is going, not necessarily more of it.

**Key Findings:**

Two-thirds of HR leaders say budget constraints limit recognition, underscoring the need for better spend visibility.

Point banks and systems, spend limits, and analytics help align recognition with financial accountability.

Finance leaders are increasingly involved in program strategy, signaling recognition's business importance.
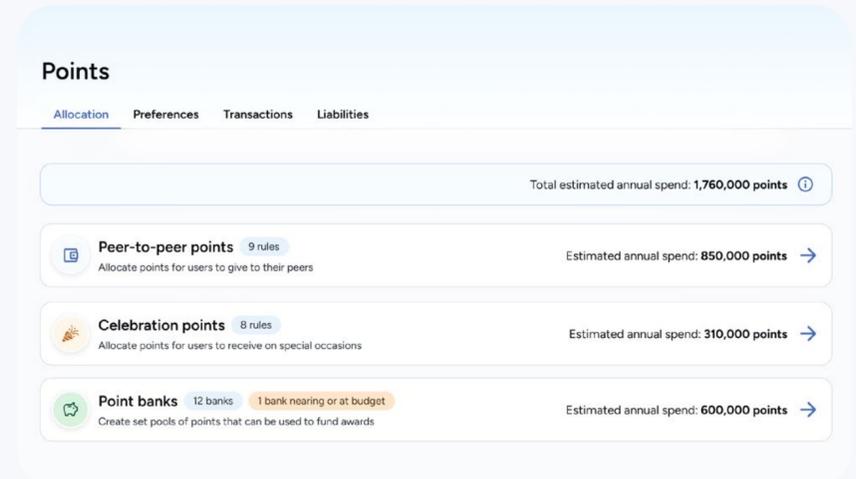


*An example of the budget management tools built into the Kudos recognition and rewards platform.*

**Scalable Recognition for Every Team, Everywhere**

**Finding:** Nine in ten organizations say their platforms scale effectively, and 69% of recent switchers rate scalability as 'very good,' compared with only 40% of those considering a change.

# True scalability means flexibility across teams, structures, and cultures.

Recognition must be as dynamic as the workforce it supports. The best systems can flex to meet the needs of different employee groups, without creating silos or complexity.

**Key Findings:**

Most organizations say their programs scale well, but seek more flexibility at the team level.

Global organizations need both standardization and local relevance.

Configurable rules, team-specific awards, and diverse reward catalogs ensure inclusivity and adoption.

**From Gratitude to Growth: Measuring Impact That Matters**

# Finding: Over 90% of organizations measure recognition outcomes.

# Recognition is a measurable driver of engagement, retention, and profitability.

The majority of organizations now treat recognition as a measurable performance system. Data from the Employee Recognition Trends study shows growing maturity in how outcomes are tracked and analyzed.
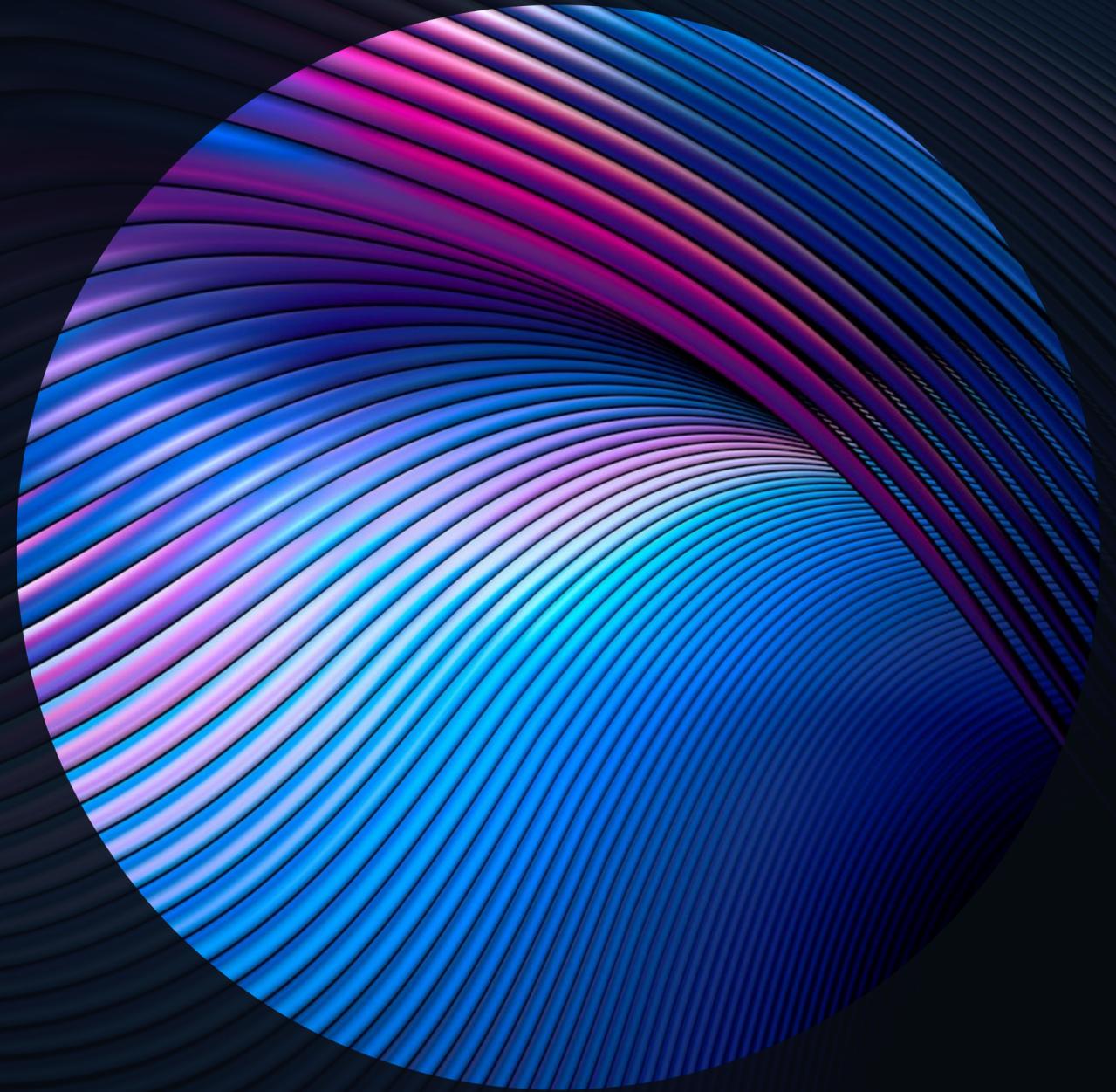
## Key Findings:

- Over 90% of HR leaders measure recognition outcomes.

- Top metrics include engagement, retention, participation, and ROI.

- Recognition analytics are increasingly tied to business KPIs like turnover and productivity.

**Recognition Impact Pyramid**



PROFITABILITY

RETENTION

ENGAGEMENT
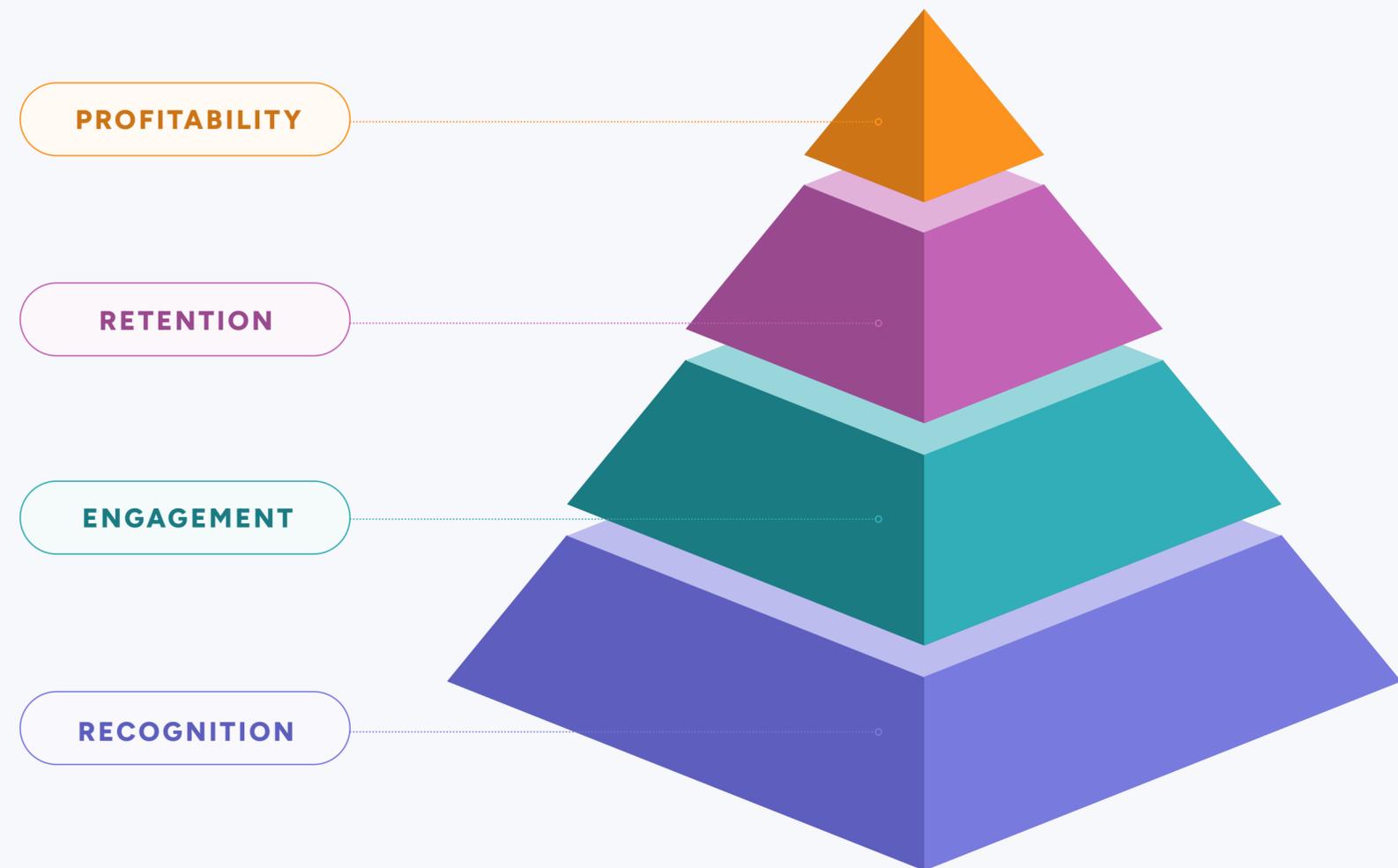
RECOGNITION

# Strategic Imperatives
# for HR Leaders

# Four priorities for future-ready recognition strategies.

Recognition is no longer optional — it's a measurable cultural system. HR leaders can transform recognition from a feel-good gesture into a strategic growth lever by focusing on four imperatives:

## Four-pillar Framework

**1 Make It Easy**

Automate and integrate recognition into existing workflows.

**2 Empower Managers**

Provide guidance, coaching, and non-monetary tools.

**3 Drive Financial Visibility**

Manage recognition budgets with transparency.

**4 Measure What Matters**

Connect recognition to engagement, retention, and business outcomes.

# What Great HR Leaders Will Do Next
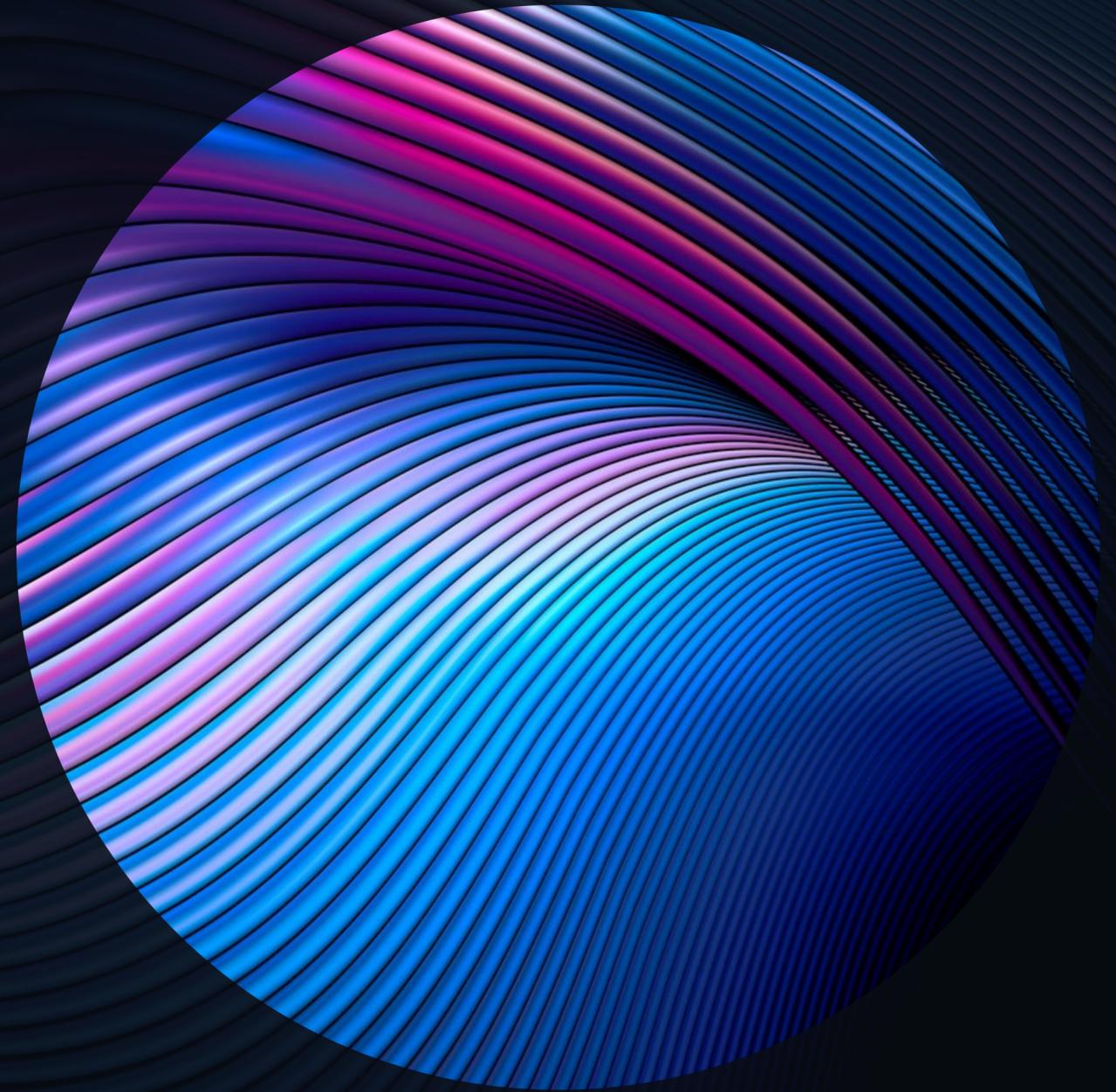
# Recognition leadership means linking culture and performance.

From engagement to profit impact: HR leaders who use recognition as a business strategy are redefining how success is measured.
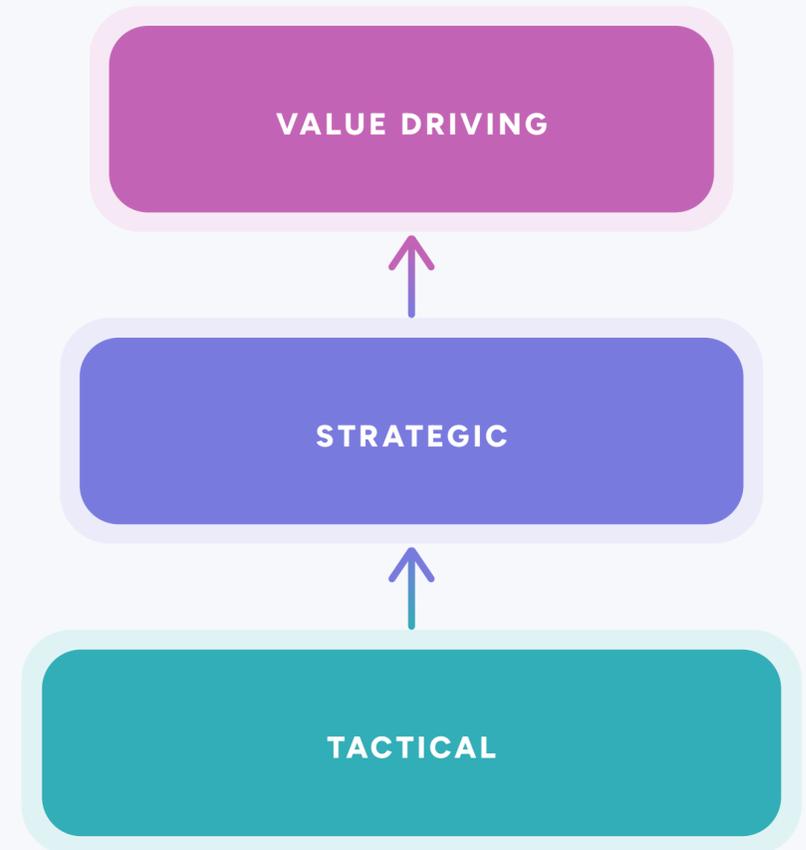
## Key Insights:

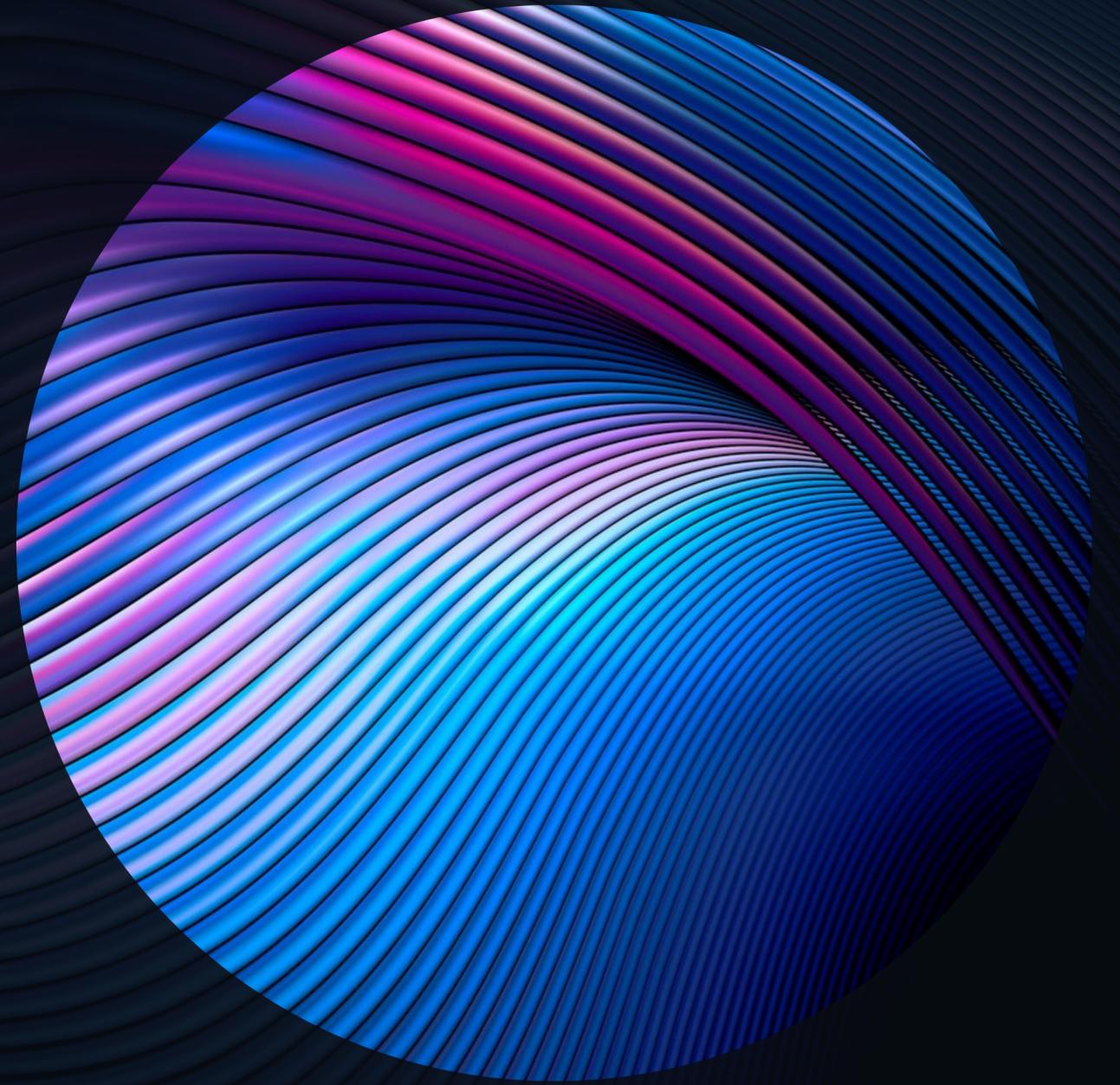Embed recognition metrics in leadership scorecards.

Leverage recognition analytics to drive smarter investments in culture.

Balance automation with authenticity: technology should support, but not replace, heartfelt appreciation.

## Recognition Maturity Ladder:

VALUE DRIVING

↑

STRATEGIC

↑

TACTICAL

# The Future of
# Recognition is Here

# Recognition is the next frontier of workforce productivity.

Recognition has evolved from a program to a system. A system that integrates data, automation, and humanity. HR leaders who embrace this evolution will shape stronger, more adaptive organizations.

**Key Insights:**

- 67% saw measurable productivity gains from the employee recognition program.

- The future of recognition is data-informed and employee-centered.

- HR technology and culture strategy are converging.

- The next generation of the Kudos platform embodies this shift — connecting recognition, analytics, and impact.

# Appendix A: Respondent Characteristics

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# Who We Heard From

Kudos partnered with The Starr Conspiracy (TSC) and Sago to survey HR and people leaders across the U.S. mid-market.

| ATTRIBUTE | DESCRIPTION | % OF SAMPLE |
|---|---|---|
| Total Respondents | 332 qualified participants | 100% |
| Role | HR Leaders / Program Admins (173)<br>People Managers (149)<br>Other Executives (10) | 52 % / 45 % / 3 % |
| Organization Size | 500–999 employees (98)<br>1,000–4,999 employees (234) | 30 % / 70 % |
| Industry Representation* | Manufacturing · Professional & Technical Services · Healthcare · Financial Services · Technology · Retail · Education · Public Administration | - |
| Geography | United States (100 %) | - |

*Industries grouped using NAICS categories for representativeness.

**Audience Focus:** Mid-market employers with active or developing recognition and rewards programs.

# Appendix B: Survey Methodology & Design

# Rigorous, representative research for HR decision-makers.

The Starr Conspiracy, in partnership with Sago and sponsored by Kudos, surveyed 332 HR leaders and managers from U.S. organizations with 500–4,999 employees, using a quota system to ensure a robust mix across company sizes and roles. Fieldwork was completed from September 10-15, 2025. All results are reported at a 95% confidence level with an overall margin of error of ±5.4 percentage points. Subgroup findings represent smaller samples, with proportionally larger margins of error. The sample is not weighted to reflect the full U.S. employer population, but is valid for insights among mid-sized to large organizations using rewards and recognition technology. Additional details about research design and the online survey instrument are available upon request.

# Purpose

To quantify how organizations design, administer, and evaluate employee-recognition programs and platforms in 2025.

# Scope of Inquiry

Five key dimensions tested:

1. Customization & Flexibility
2. Automation & AI Enablement
3. Budgeting & Pricing Visibility
4. Support & Enablement Experience
5. Scalability & Configuration

# Appendix C: Sample Survey Questions

# Sample Survey Questions

| CATEGORY | EXAMPLE QUESTION | RESPONSE SCALE |
| --- | --- | --- |
| Flexibility | "How flexible or inflexible is your recognition platform in supporting diverse workplaces and structures?" | 5-point scale ( Very inflexible → Very flexible ) |
| Automation / AI | "Which automated features or AI functionality have been most helpful in reducing manual effort?" | Multi-select |
| Budget Visibility | "To what degree do point-system limits or budgets prevent giving recognition?" | 5-point scale ( Not at all → Significantly ) |
| Support Experience | "How satisfied are you with onboarding, training, and ongoing vendor support?" | 5-point scale ( Very dissatisfied → Very satisfied ) |
| Scalability | "How well has your platform scaled as your organization has grown in size or complexity?" | 5-point scale |
| Impact Measurement | "Which outcomes or metrics does your organization use to assess program effectiveness?" | Multi-select ( Engagement, Retention, ROI, etc. ) |

# Appendix D: Benchmark Charts and Findings

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# Top Barriers to Effective Recognition

1. Limited budgets / point constraints (64 %)

2. Manual administration or time burden (58 %)

3. Lack of manager participation (47 %)

4. Inconsistent program usage (43 %)

5. Limited visibility into impact metrics (39 %)

# Most Common Metrics Used to Assess Recognition Impact

1. Employee engagement (82 %)

2. Retention / turnover rates (67 %)

3. Participation rates (64 %)

4. ROI / cost-benefit analysis (41 %)

5. Profitability / performance improvements (38 %)

# Appendix E: Contact and Usage Guidelines

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# Contact and Usage Guidelines

## Citation

For citation: "Kudos Employee Recognition Trends Study,
Kudos + TSC + Sago, Q3 2025."

## Press Inquiries

For press inquiries or data requests: press@kudos.com

## Usage

Permission granted for non-commercial use with attribution.

## More Information

Additional details about research design and the online survey
instrument are available upon request.