

DRIVING ENGAGEMENT

How Avis Budget Group Uses Recognition to Foster Employee Engagement, Improve Productivity and Save Millions in the Costs of Turnover

**By the O. C. Tanner Company
and Avis Budget Group**

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USING RECOGNITION TO FOSTER ENGAGEMENT

Fighting to keep employees engaged and loyal in a service business can be a difficult task. Add to that a merger and divestiture in an industry suffering from difficult economic times and you may have a recipe for disaster. But not for Avis Budget Group. Instead, this leading vehicle rental giant has led its more than 32,000 employees through challenging times, all the while improving bottom line results. In addition to reducing company-wide voluntary turnover by 3.8 percent from 2004 to 2005—an accomplishment that saved the company millions by improving productivity and reducing turnover—the organization continues to raise employee engagement scores and other key measures.

When you consider each point of turnover costs Avis Budget Group an average of \$3 million, the benefits of recognition and engagement to the bottom line become abundantly clear.

Avis Budget Group attributes its success to continued efforts to positively affect employee engagement. Using recognition as a tool, the Group focuses on improving employee engagement scores by giving employees opportunities to feel more connected to the company and understand that they can make a difference.

RECOGNITION: A CRITICAL COMPONENT OF CULTURE

As an organization, Avis Budget Group takes great stock in employee surveys. So years ago when employee surveys repeatedly told company leadership there was a lack of recognition of what people do well, leaders took notice.

“There were a lot of things we did well as a company,” says Executive Vice President of Human Resources, Mark Servodidio. “But one of the recurring themes was that we needed to do a better job at recognizing people.”

So the company set out to do just that.

“We designed a recognition program based on the voice of the employee, connected it to the values of the company and, in 2002, we put the process online so it’s very easy to nominate, approve and distribute awards,” says Servodidio.

Since introducing the recognition program, Avis Budget has seen tremendous

growth in program usage and success. Constant improvements include the move to a paperless program that increased program participation by more than 650 percent in just one year. These enhancements keep employees and managers coming back to the program as an important way to reinforce company values and objectives and recognize accomplishments.

In fact, recognition served as a tool to help orient and ground employees of Budget Rent A Car following its acquisition by the company in 2002.

Leaders explain that Budget went through a difficult history as a company. Following the acquisition, the company discovered that many Budget employees did not know the company's core values or what was expected of them.

"We held listening meetings to try to understand what mattered most to Budget employees," says Servodidio. "We then focused our recognition efforts on those core values to really distill what we thought was important."

The result?

"We saw a marked change among Budget employees in terms of understanding what the company stands for and the awareness and importance of the organization's values," says Servodidio. "Now, there is definitely a sense that our Budget employees understand our vision and our expectations of them. And recognition has helped us reinforce that."

Fostering a greater awareness of company goals and initiatives is not the only benefit recognition has brought to Avis Budget Group. Indeed, the organization has seen employee engagement scores rise as a company and in those locations that most utilize recognition.

"There is definitely a correlation between a management team that engages its employees and takes full advantage of recognizing people versus a management team that doesn't," says Servodidio. "The success and essential nature of recognition as a tool for Avis Budget is tied to driving engagement, which drives profitability and quality. Recognition is a piece of what helps us drive success."

MAKING RECOGNITION EASY

In the first years of the company's recognition program, only a handful of employees actively used the program, averaging just 200 nominations in the first three years. However, the company has seen double and triple digit participation growth over the last four years. In 2005, 3,612 formal performance recognition

award nominations were approved. Increased participation has supported the company's engagement efforts and continues to heighten awareness around key corporate goals and values.

Program leaders say consciously making every effort to assure the recognition process is easy has contributed to its success.

"Taking the program online was essential to its survival," says Servodidio. "Keeping track of the paperwork and the forms before we were online was a nightmare. By the time the award was shipped, four weeks had gone by and there was no impact. Going online has made it easier; it expedites and lightens the load for HR."

Employee Loyalty Specialist Jane Falcone agrees.

"Instead of using the time and energy of three people to review invoices and reports, going online has expedited things and allows me to manage the program," says Falcone. "Now I can spend time focusing on surveys, analytics, measurements and the overall direction of the program. If the program wasn't web-based we'd still need three people just to manage it. We most definitely could not have encouraged the program to grow the way it has if our processes weren't online."

Avis Budget Group managers say the simplified online program makes a difference for them, too.

"Having access to a program like this makes my job easier," says Robert Calderone, district manager for Avis Rent A Car at Newark Liberty International Airport. "The program makes it very simple. I just go online, explain what was accomplished and how it relates to company goals. It's all very quick and easy."

"If the program was more complicated, we probably wouldn't use it as much," admits Calderone. "It's nice to have the program as an outlet; you don't have to go to the store and hope you choose an appropriate gift. With the program, you know the gift fits the accomplishment and it's incredibly easy to use."

WELL FOUNDED RECOGNITION

Leaders say the key to creating a program that would resonate with employees and become a part of company culture was founding the program in Avis Budget Group's core values.

"The best strategic decision we made was making this a value-based recognition

program,” says Servodidio. “The company’s core values stay the same; these are the values that you want employees to carry with them. By basing your program on core values, it eliminates the flavor of the month feeling and the program is tied to something deeper and that makes it better understood.”

As Avis Budget has continued its drive to promote the program and encourage increased usage year after year, it has also increased measurements in areas such as employee engagement and other key indicators of employee satisfaction.

“Our recognition programs are designed to reinforce values and speak to what’s valuable and special about the Avis and Budget brands in a way that reinforces employee pride,” says Servodidio. “One of the highest marks we get on our employee survey is ‘Pride in Company.’ Among Avis employees it’s about 80 percent favorable while Budget is now in the 70-percent range after being in the 50- to 60-percent favorable range a few years ago. We are making steady progress.”

MOVING THE NEEDLE

Recent feedback lets company leaders know their efforts are paying off. As employee engagement scores continue to rise, other key indicators of program success are also improving.

In 2005, employee surveys reported that 97 percent of Avis Budget Group employees who receive recognition say they feel like “part of the company.” An equal number also agree the recognition program “reinforces company values.”

“Of course, these are good indicators for us,” says Servodidio. “The correlation between turnover and engagement drivers is clear. Recognition is critical to driving employee engagement as is relationship with manager, training and development, fair pay, and being valued. Recognition helps tie all of these things together.”

As Servodidio and his team look to continually improve recognition efforts and ways to analyze program success, they will continue to focus on delivering bottom line results to the organization.

“As we look at engagement factors in aggregate, and as we continue to perfect those pieces, there’s no question that turnover will go down and there’s no question there’s savings in terms of productivity and recruiting costs. All that goes along with reducing turnover and how that equals real dollars for us,” says Servodidio.

In 2005, the company reduced voluntary turnover year-over-year from 19.3 to

15.1 percent and is clearly headed in the right direction when you consider the U.S. turnover rate increased from 19.20 percent to 20.20 percent during a comparable period.*

“We’re always trying to create a system where the employee has a voice. You put a process and a structure in place to capture that voice and then provide feedback on progress and results to employees,” says Servodidio. “We use many methods to encourage managers to try and get recognition right and then share those stories across the organization. Using employee surveys, action plans for our managers, and considering recognition in the incentive assessment process, we are truly making recognition part of our culture and using it as a way to reinforce core values, priorities and deliver results in the process.”

KEY TAKEAWAYS

- Avis Budget Group uses recognition as an integral part of their employee engagement strategy
- The company realized a 3.8 percent reduction in turnover from 2004–2005, delivering approximately \$3 million in savings per percentage point drop
- Avis Budget Group has encouraged sustained participation growth in the recognition program by taking the program online

*U.S. Bureau of Labor Statistics cited from Sept 2003–August 2004: <http://www.nobscot.com/survey/index.cfm>



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Adrian Gostick
O.C. Tanner Company
1930 S. State Street
Salt Lake City, UT 84115
Toll Free: 800-828-8902
Phone 801-493-3122
adrian.gostick@octanner.com



Avis Budget Group is a leading provider of vehicle rental services, with operations in more than 70 countries. Through its Avis and Budget brands, the company is the largest general use vehicle rental operator in each of North America, Australia, New Zealand and certain other regions. Avis Budget Group has more than 30,000 employees.

Mark Servodidio
Executive Vice President of Human Resources
Avis Budget Group
6 Sylvan Way
Parsippany, NJ 07054
Phone: 973-496-3500
mark.servodidio@avisbudget.com