Communicating the New Employment Deal
Reengaging Your Workforce and Driving Business Results in Challenging Economic Times

Marty Friedman
November 17, 2010
Despite all the organizational and benefit changes employers have recently made in response to challenging economic times . . .

Only 14% are communicating a position on what this means to the employee experience.

Is your company part of that 14%?

Source: 2009 Communication ROI Study
Towers Watson employee research

Communications ROI Survey  
(April 2009)  
- 328 companies participated, representing 5 million employees

Global Talent Management and Rewards Survey  
(May 2009 – June 2009)  
- A total of 1,176 organizations from 23 countries participated

Global Workforce Survey  
(November 2009 – January 2010)  
- Over 20,000 full-time employees in 22 markets around the world
We’ll cover what the studies tell us

The employment deal has changed – companies need to recalibrate the new deal to retain high performers and keep all employees engaged

- Employees believe there is a deal – even if the company doesn’t

When the going gets tough – successful companies say more not less

- The best take the initiative to deliver the tough messages in real time
- Use a variety of media – from face-to-face to Facebook

Treat managers as a special audience

- Help them use communication to effectively manage change
- Provide tools and training to communicate with a diverse/dispersed audience

The three secrets to success – measure, measure, measure

- What gets measured gets done, acknowledged and rewarded

Investing in effective communications pays dividends to the business
The Post Recession Employee Experience
The recession shifted employer/employee mindsets . . . it’s not business as usual

Companies are . . .

- Reducing labor costs through salary freezes, reduced bonuses and layoffs
  - Taking more cost cutting actions
  - Reducing the rate of increase in the real value of total rewards
- Re-evaluating business strategies to protect bottom line and drive productivity gains

Theme of Renewal

Looking forward, organizations must re-think the way they design and manage their reward and talent programs

Source: 2010 Global Talent Management and Rewards Survey
The recession shifted employer/employee mindsets . . . it’s not business as usual

**Companies are . . .**
- Reducing labor costs through salary freezes, reduced bonuses and layoffs
  - Taking more cost cutting actions
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**Employees are . . .**
- Thankful to have a job in light of layoffs
- Recovering from no pay increases or bonuses, reduced benefits and furloughs
- Less likely to have promotion opportunities
- Survivors who have made it through in one piece . . . barely

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**Theme of Renewal**
Organizations must re-think the design and management of their reward and talent programs

**Theme of Security**
Employees want job security, stability and opportunities to for higher pay (this may not be available in current organization)

*Source: 2010 Global Talent Management and Rewards Survey*
Key drivers of engagement are going unmet . . .

Recent economic times have created a gap between what employees want/expect and what employers are providing

- I want to deliver innovative products and services – but I am not sure I can here
- I want job security, stability and good pay/benefits — but I see the safety net eroding
- I want a wide range of jobs and work experience – do I need to change companies?
- I want career advancement, but may need to leave my company to get it
- I want more freedom and flexibility in how I work

Source: 2010 Global Talent Management and Rewards Survey
... and employees worldwide are skeptical about manager performance in tough times

<table>
<thead>
<tr>
<th>My Immediate Manager:</th>
<th>Percent Favorable — Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has enough time to handle the people aspects of the job</td>
<td>46%</td>
</tr>
<tr>
<td>Provides clear goals for the work of the team</td>
<td>55%</td>
</tr>
<tr>
<td>Helps remove obstacles to doing my job well</td>
<td>51%</td>
</tr>
<tr>
<td>Explains how our work supports execution of team goals</td>
<td>54%</td>
</tr>
<tr>
<td>Provides me with opportunities to develop my skills</td>
<td>50%</td>
</tr>
<tr>
<td>Helps me with career planning and decisions</td>
<td>39%</td>
</tr>
<tr>
<td>Makes fair decisions about how my performance links to pay decisions</td>
<td>44%</td>
</tr>
<tr>
<td>Is a trusted source of information about what is going on in the organization</td>
<td>52%</td>
</tr>
<tr>
<td>Acts with honesty and fairness</td>
<td>54%</td>
</tr>
</tbody>
</table>

Companies that don’t take actions, risk losing high performers and the ability to effectively engage their workforce

- Employers recognize impacts of cost-cutting actions employee well-being and engagement but less likely to identify how this impacts quality, customer service or employee productivity

- Declines in employee engagement often have an adverse business impact

<table>
<thead>
<tr>
<th>Impact of cost-cutting actions taken</th>
<th>All Employers</th>
<th># of cost-cutting actions taken</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1–2 actions</td>
</tr>
<tr>
<td>Increased work loads for employees</td>
<td>61%*</td>
<td>45%</td>
</tr>
<tr>
<td>Employees’ ability to manage their levels of work-related stress</td>
<td>53%</td>
<td>36%</td>
</tr>
<tr>
<td>Overall employee engagement</td>
<td>50%</td>
<td>35%</td>
</tr>
<tr>
<td>Employees’ ability to have a healthy balance between work and their personal lives</td>
<td>50%</td>
<td>37%</td>
</tr>
<tr>
<td>Productivity</td>
<td>28%</td>
<td>16%</td>
</tr>
<tr>
<td>Willingness to take risks/try new things</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>Quality/customer service</td>
<td>22%</td>
<td>12%</td>
</tr>
<tr>
<td>Institutional knowledge (of core processes, prior business cycles, etc.)</td>
<td>20%</td>
<td>9%</td>
</tr>
</tbody>
</table>

* The percentages of respondents who indicate that their cost-cutting actions have had an adverse impact in that area.

Source: 2010 Global Talent Management and Rewards Survey
How is your company talking about the employee experience?

An **employee value proposition** (“the employment deal”) is the experience offered by an employer in exchange for the productivity and performance of an employee.

<table>
<thead>
<tr>
<th>Employer perspective</th>
<th>Employee perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>A strategically designed EVP attracts, retains, engages and motivates employees to drive business success.</td>
<td>Employees’ connection with the EVP determines their level of discretionary effort in bringing the company mission, vision and values to life.</td>
</tr>
</tbody>
</table>

Ultimately – it comes down to “the give” and “the get”
Regardless of how it is (or isn’t) developed and communicated, every company has an EVP

Organizational response to the recession has *changed the deal.*

If employers don’t take the opportunity to re-define it, *employees will.*
Companies will continue to face critical challenges

Coming out of the recession, organizations will need to:

- Continue to get the basics right: competitive pay and benefits
- Respond to increasing employee demands for security, stability and opportunity that are difficult to meet
- Confront the complexities caused by lack of career advancement opportunities for top talent and employees with critical skills
- Develop new leadership competencies for their executives to ensure they can manage in the new and changing environment

Companies that anticipate ongoing volatility in the economy and labor market should develop and communicate an EVP that will be effective in any economic environment.

Source: 2010 Global Talent Management and Rewards Survey
Creating a new normal

It should align an organization’s:

- Talent and rewards strategy
- Business strategy
- Brand strategy

Formalizing the EVP can help create a stable, unifying experience.

Source: 2010 Global Workforce Study
Pop Quiz
Communication ROI Effectiveness “Quiz”

- My company has a clearly defined employee value proposition
- At my company, employees understand what they need to do differently to succeed going forward
- My company trains managers to communicate effectively
- My company does a good job of helping managers manage change
- My company has a documented communication strategy linked to business goals and objectives
Communication ROI Effectiveness “Quiz”

- My company measures how communication impacts achievement of business goals (sales, retention, etc.)
- At my company, we have increased the use of social media tools (blogs, wikis, yammer, podcasts, etc.)
- At my company, employees understand the value of their total reward package
- At my company, employees understand how their actions affect the customer
- At my company, the communication function gets involved early in decisions/discussions around organizational changes
What Studies Show Highly Effective Communicating Companies Doing
When the going gets tough – highly effective communicating companies:

- Have the **courage** to talk about what employees want to hear in challenging times
- Focus on **innovation** and use new tools to keep employees engaged in the business
- Have the **discipline** to plan and measure success
Communicate the “new” employment deal (EVP)

The best are **2.5 times more likely** to have a clearly defined EVP. Include this as part of a clearly articulated and documented communication strategy.

- **Made the EVP part of our communication strategy**: 36% high, 27% low, 18% all participants.
- **Have aligned the EVP with our external, customer-facing brand**: 50% high, 33% low, 16% all participants.
- **Have a clearly defined EVP**: 62% high, 47% low, 23% all participants.

Source: 2009 Communication ROI Study
Opportunity exists to formalize the EVP

- While all organizations have an informal value proposition, only one-third globally have formalized the EVP
  - The other two-thirds indicate their EVP is implicit and has evolved over time
  - There is significant regional variation around formalization of EVP
- This presents a great opportunity to review components of the deal, formalize and communicate to employees (and prospective employees)

### High-performing organizations are more likely to have a formal EVP

<table>
<thead>
<tr>
<th>Region</th>
<th>Have a Formal EVP</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>34%</td>
</tr>
<tr>
<td>Asia</td>
<td>39%</td>
</tr>
<tr>
<td>Brazil</td>
<td>53%</td>
</tr>
<tr>
<td>Canada</td>
<td>25%</td>
</tr>
<tr>
<td>Europe</td>
<td>35%</td>
</tr>
<tr>
<td>U.S.</td>
<td>25%</td>
</tr>
<tr>
<td>High-performing organizations</td>
<td>42%</td>
</tr>
<tr>
<td>Average-performing organizations</td>
<td>32%</td>
</tr>
<tr>
<td>Organizations performing below their peers</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: 2010 Global Talent Management and Rewards Survey
Use the EVP to help connect the dots

Unify organizational activity

- Communicate rationale behind difficult business decisions
- Provide leadership training
- Address the impact on employees
- Reinforce company values

Align employees with the needs of the business -- and with customers

- Improve employee line of sight
- Encourage employees to adopt behaviors that deliver on the brand promise
- Re-engage the talent you have

Most firms do well at communicating about the business; however, less than half of firms report that they are effective at communicating to employees how their actions can affect the customer or increase productivity.

Source: 2009 Communications ROI Survey
Use a branded approach

The most effective companies are **5 times more likely** to have a branded approach to communicate the total value of their benefits.

![Bar chart showing communication effectiveness]

Source: 2009 Communication ROI Study
Managers play an important role

Managers in highly effective companies take the initiative to keep employees engaged in tough times.

- Dealing openly with resistance to change: 18% Low, 33% High, 61% All Participants
- Addressing the needs and concerns of remaining employees: 22% Low, 42% High, 64% All Participants
- Supporting the executive management vision through their actions: 29% Low, 47% High, 73% All Participants
- Increasing communication with employees: 27% Low, 52% High, 73% All Participants

Source: 2009 Communication ROI Study
Treat managers as a special group

Beyond providing talking points, the most effective companies prepare managers to lead employees through significant change.

**Change management training**
- High Communication Effectiveness: 50%
- Low Communication Effectiveness: 35%
- All Participants: 43%

**Communication training**
- High Communication Effectiveness: 47%
- Low Communication Effectiveness: 34%
- All Participants: 42%

*Source: 2009 Communication ROI Study*
Seek input – from inside and out

What gets measured gets done, acknowledged and rewarded

Communicators are increasingly expected to show value. The most effective companies are including more communication outcome metrics.

<table>
<thead>
<tr>
<th>Action</th>
<th>High Communication Effectiveness</th>
<th>Low Communication Effectiveness</th>
<th>All Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benchmarks the performance of the communication function against other companies</td>
<td>18%</td>
<td>29%</td>
<td>43%</td>
</tr>
<tr>
<td>Have a communication advisory group to pretest employee communication</td>
<td>19%</td>
<td>32%</td>
<td>51%</td>
</tr>
<tr>
<td>Makes use of measurement to verify the communication function’s contribution to meeting strategic business goals</td>
<td>21%</td>
<td>39%</td>
<td>69%</td>
</tr>
<tr>
<td>Uses measurement findings to plan future communication initiatives and/or business decisions</td>
<td>36%</td>
<td>51%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Source: 2009 Communication ROI Study
It pays to invest in effective communications

Companies that invest more in communications are seeing a return on their investment.

Return on Investment by Communication Effectiveness

Source: 2009 Communication ROI Study
Effective communication is a leading indicator of financial performance

- Employers that invest in effective communications are in the best position to:
  - Keep employees engaged in the business
  - Retain key talent
  - Provide consistent value to customers
  - Deliver superior financial performance to shareholders

Better financial performance

- 47% higher total return to shareholders (2004 – 2009)

Investment in employee communication

- Spend 28% more per employee ($257 high vs. $200 low)

Source: 2009 Communication ROI Study
### Your Communication ROI Effectiveness “Quiz” Results

<table>
<thead>
<tr>
<th>Answer</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total Score</th>
</tr>
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</table>

**10 – 25  ROI Buster**
Communication effectiveness practices are lacking in your organization.

**26 – 35  ROI Challenged**
Some of the practices are in place but there's more work to be done.

**36 – 50  ROI Provider**
Congratulations!
You’re poised to deliver obvious value!