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Society for Human Resource Management webcast

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**Employee Value Propositions:
Creating Alignment, Engagement and Stronger Business Results**

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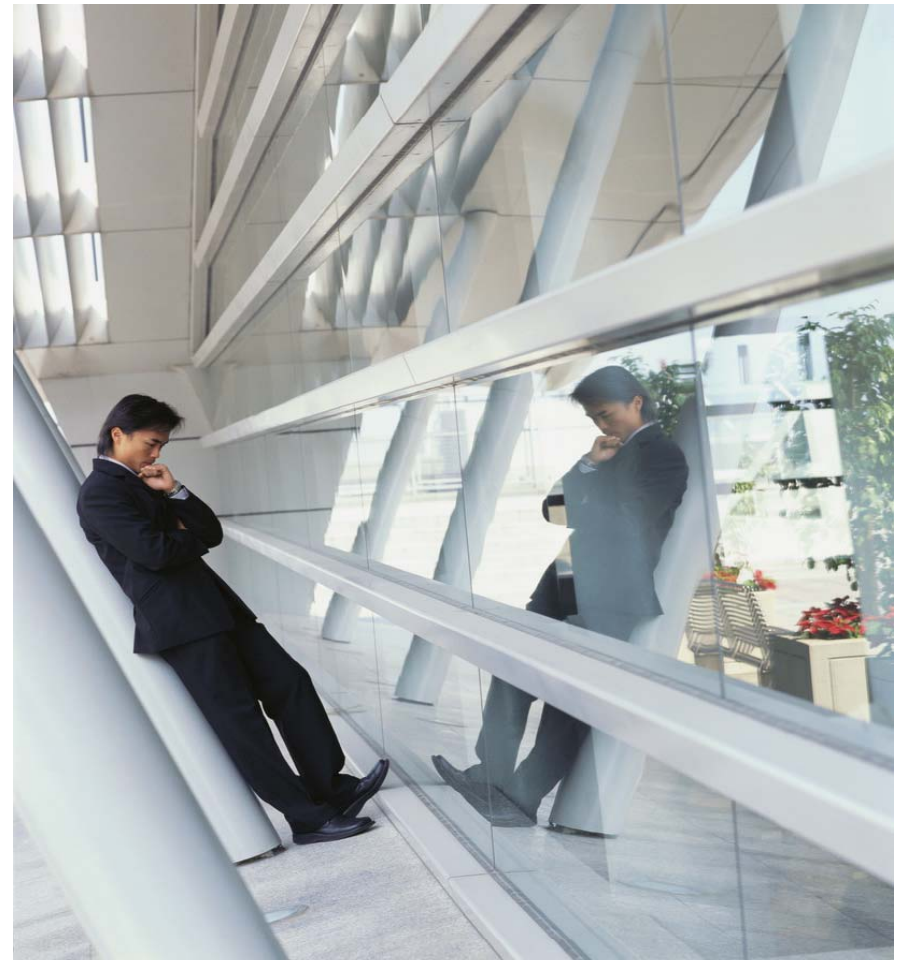
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Top performing companies build loyalty to
an employee the same way a consumer
brand builds loyalty to a product.

*(Towers Watson 2007/2008
Communication ROI Study Report)*

While the recession is over in many countries, its impact has been profound

- Following the global financial crisis and recession that occurred in many countries, we may be at a point of inflection
 - China, India and Brazil are experiencing strong economic growth
 - Spain and Ireland continue to suffer through economic contraction and double digit unemployment
 - U.S., most of Europe, Canada and Japan are somewhere in between
- Most regions took cost-cutting and cost management actions as a reaction to the recession
- Real wages have been flat or declining



Recession forced companies out of “business as usual” mode and changed the employee mindset

Companies:

- Reduced labor costs through hiring and salary freezes, reduced bonuses and layoffs
 - Over 44% of companies globally took four or more cost cutting actions
 - Resulted in reduced rate of increase in the real value of total rewards
- Re-evaluating business strategies to protect bottom line and drive productivity gains

Employees are...

- Thankful to have a job in light of past layoffs
- Recovering from no pay increase, no/smaller bonus, reduced benefits and furloughs
- Less likely to have promotion opportunities
- Survivors who have made it through in one piece...barely

Theme of Renewal

Looking forward, organizations must rethink the way they design and manage their reward and talent programs

Theme of Security

Employees are looking for job security, stability and opportunities to earn higher levels of pay (which may be unavailable in current organization)

Companies recognize the impact of cost cutting measures on employee engagement

- Employers recognize some of the adverse impacts cost cutting has had on employee well-being and engagement
 - The more cost-cutting actions employers have taken, the more likely they are to recognize the impact
- TW research has shown that declines in employee engagement often have an adverse business impact
 - Employers are less likely to identify impact on quality, customer service or employee productivity

Impact of Cost-cutting Actions Taken

	All Employers	# of cost-cutting actions taken		
		1-2 actions	3-4 actions	5 or more actions
Increased work loads for employees	61%*	45%	67%	79%
Employees' ability to manage their levels of work-related stress	53%	36%	57%	72%
Overall employee engagement	50%	35%	52%	70%
Employees' ability to have a healthy balance between work and their personal lives	50%	37%	54%	65%
Productivity	28%	16%	29%	45%
Willingness to take risks/try new things	25%	16%	28%	35%
Quality/customer service	22%	12%	21%	37%
Institutional knowledge (of core processes, prior business cycles, etc.)	20%	9%	19%	34%

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

Create a *sustainable* Employee Value Proposition to attract, reward and retain talent

- What is sustainability?
 - Effective in any economic environment; supports robust growth but is scalable in a downturn
 - Flexible in terms of company investment in rewards and talent management programs
 - Addresses the broad range of elements of the “deal” that are important to employees
 - Allows for flexibility to target key employee groups such as high performers, critical-skill employees and high potentials

The need to refocus gives you a chance to renew and communicate your EVP to both current and prospective employees

What is an Employee Value Proposition (EVP)?

An **employee value proposition** is the experience offered by an employer in exchange for the productivity and performance of an employee.

Employee Perspective	Employer Perspective
Employees' connection with the EVP determines their level of discretionary effort in bringing the company mission, vision and values to life.	A strategically designed EVP attracts, retains, engages and motivates employees to drive business success.

Ultimately — it comes down to “the give” and “the get”

Defining key terms

EVP...

...An **employee value proposition** (EVP) is what is offered by an employer in exchange for the productivity and performance of an employee. It includes the entire employee “experience” from their rewards and benefits, to the opportunity for career development and also the more intrinsic elements of management style, work environment and culture. Branding the EVP means how you interpret all these elements into an identity that links your employment brand to the corporate brand.

Employment Brand...

...This is how you present yourself to prospective employees. In order to keep the people you recruit, it must be aligned with the EVP (or employment brand) as well as your corporate brand. While it’s OK for brands to be aspirational, they must be grounded in authenticity, and your communication strategy should clarify how you intend to move from aspiration to reality.

Corporate Brand...

...This is who you “are” to your customers. Like any brand, it needs to be rooted in reality yet it can have some aspirational attributes. It has both practical and emotional elements: If a corporate brand and EVP are misaligned, the result can be employee cynicism — which directly impacts productivity.

Total Rewards...

...Total Rewards is a key element of your EVP. It represents the more tangible aspects of the EVP: compensation and benefits.

Opportunity exists to formalize the EVP

- While all organizations have an informal value proposition, only one-third globally have formalized their EVP
 - The other two-thirds indicate their EVP is implicit and has evolved over time
 - There is significant regional variation regarding 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

	Have a Formal EVP
All	34%
Asia	39%
Brazil	53%
Canada	25%
Europe	35%
U.S.	25%
High-performing organizations	42%
Average-performing organizations	32%
Organizations performing below their peers	28%

Employees want to see the total deal as they seek to find organization purpose, as well as value



Purpose and Values

- How (and why) does the business deliver value?
- How is the business viewed by the world?
- What do the mission, visions and values represent, and am I committed to them?



Rewards recognition and opportunity

- What behaviors are rewarded and recognized, and do they advance the “promise” to the market?
- Do I know how my job and actions contribute to success?
- What learning and career opportunities are available?
- How does the organization support me and my family through benefits and programs?



The work, the people and the environment

- What are the culture and environment like?
- Will the management structure and philosophy support my ability to do good work?
- Do I have access to people, processes, tools and technology to do my job effectively?

Attraction drivers are shifting due to the current environment

- Employers recognize the importance of base pay, challenging work and career advancement opportunities in attracting employees to their firm
- Employers have not made the connection between employee well-being (e.g., flexible scheduling, time off) and an employee's decision to join an organization

Ranking*	Employer View	Employee View
1	Competitive base pay	Competitive base pay
2	Reputation of the organization as a great place to work	Challenging work
3	Challenging work	Convenient work location
4	The business/industry of the organization	Opportunities for career advancement
5	Opportunities to learn new skills	Vacation/holiday/paid time off
6	Opportunities for career advancement	Reputation of the organization as a great place to work
7	Organization's financial health	Flexible schedule

* Ranking represents the frequency the item was selected as one of the top 5 reasons an employee would join their firm, from a list of 26 items. Employee data come from the 2010 Towers Watson Global Workforce Study.

Attraction and retention challenges are confined to pivotal employee groups

- Employers are having difficulty attracting and retaining top talent, but not employees in general
 - High unemployment rates feed labor pool
 - Critical Skill and Top Performers are reluctant to leave current employer due to uncertainty
- Severity of difficulty varies across regions, as economic recovery is uneven

Attraction and Retention Difficulties Vary Significantly by Region

	Global	China/ India	Other Asia/ Pacific	Ireland/ Spain	Other Europe	Brazil	Canada	U.S.
Critical-skill employees								
problems attracting	65%	84%	78%	49%	62%	81%	61%	52%
problems retaining	49%	81%	69%	29%	44%	65%	35%	31%
Top-performing employees								
problems attracting	61%	76%	71%	52%	67%	69%	57%	45%
problems retaining	45%	77%	63%	22%	41%	67%	35%	25%
High-potential employees								
problems attracting	56%	68%	70%	47%	58%	67%	54%	40%
problems retaining	45%	75%	60%	29%	43%	64%	38%	25%
All employees								
problems attracting	25%	36%	41%	22%	19%	30%	22%	15%
problems retaining	21%	39%	39%	14%	12%	26%	12%	11%

Percentage of respondents reporting great or very great difficulty attracting or retaining employees.

Objectives for formalizing the EVP vary by region

- The majority of organizations indicate they have formalized their EVP to improve alignment of HR process with business objectives, brand and each other
- Better alignment of EVP and the brand can lead to improved line of sight, encouraging employees to adapt behaviors that will deliver the brand promise (for example, superior customer service)

Objectives for Formalizing the EVP

	All	Asia	Brazil	Canada	Europe	U.S.
To improve alignment of HR processes, programs and administration with business objectives, brand and each other	81%	78%	90%	84%	82%	79%
To establish employer brand for talent/attraction	73%	73%	60%	81%	75%	76%
To set and manage employee expectations	65%	63%	48%	65%	72%	73%
To support/drive change management	59%	59%	58%	38%	67%	63%
To facilitate communication with prospective employees	50%	48%	44%	59%	47%	55%

Brand alignment: Why it's important (*and why it's often nonexistent*)

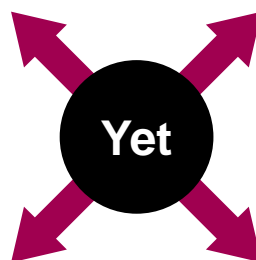


Human Resources *doesn't* control:

- Company reputation
- External perceptions and image
- Value of the external brand

Marketing *doesn't* control:

- Employees' understanding of the brand
- Employees' living of the brand
- Employees' delivering on the brand promise



Brand and company reputation are key factors in attracting and retaining talent

People are the key factor in delivering the brand's promise to customers

Effective brand alignment requires Human Resources and Marketing to work together to develop a fully integrated and aligned employee and customer experience

Companies with formal EVPs are more likely to say their EVP is aligned with their marketplace reputation

- The EVP is a powerful management tool when it is communicated effectively
- When an organization formalizes its EVP, the EVP is more likely to become a stable, unifying experience
 - This sets a foundation for modifying the EVP by location and/or employee segment

Characteristics of EVP

	EVP	
	Informal	Formal
Organization does a good job communicating its existing EVP.*	19%	74%
Organization's EVP is clearly aligned with what we stand for in the marketplace.	37%	81%
Organization has significantly changed its EVP in light of the recent economic changes.	20%	28%
Organization is going to change its EVP significantly over the next three years.	38%	23%
Organization varies EVP by:**		
Location	34%	14%
Business Unit	35%	19%
Job Level	46%	29%
Top Performers	46%	28%
High Potentials	43%	27%

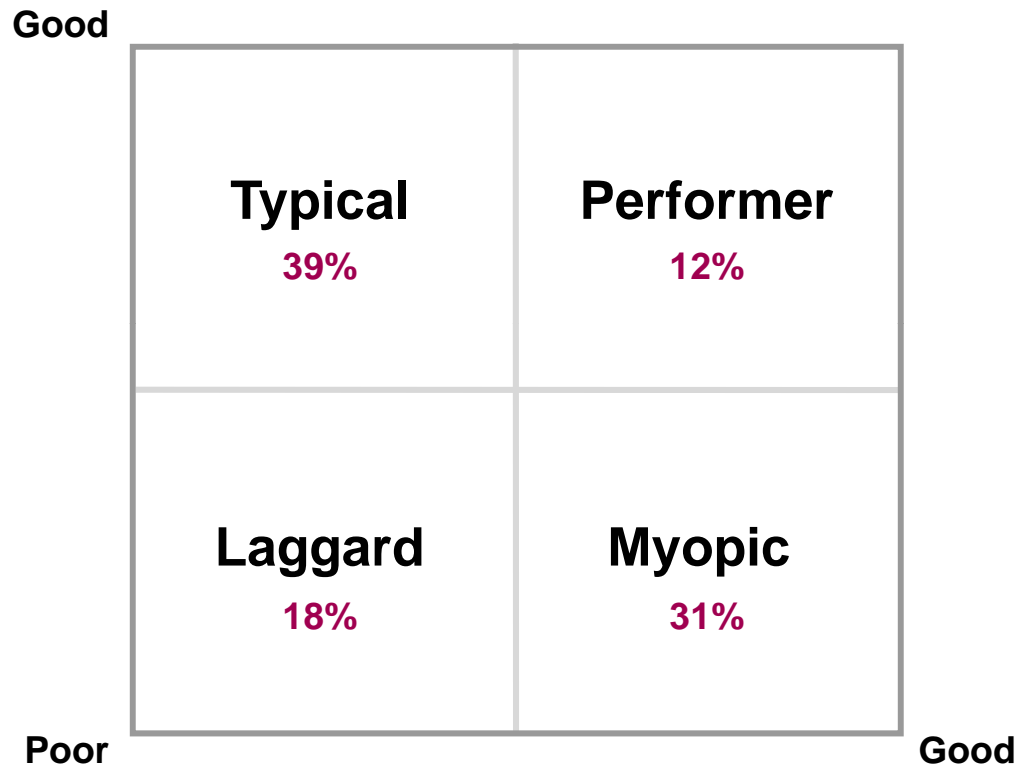
* The percentage of respondents who have an informal/formal EVP who agree with the statement.

** The percentage of respondents who have an informal/formal EVP who vary that EVP by location, business unite, etc.

Alignment of Internal and External Experience

Customer Experience

- Brand promise delivered
- Consistent communication
- Excellent customer experience



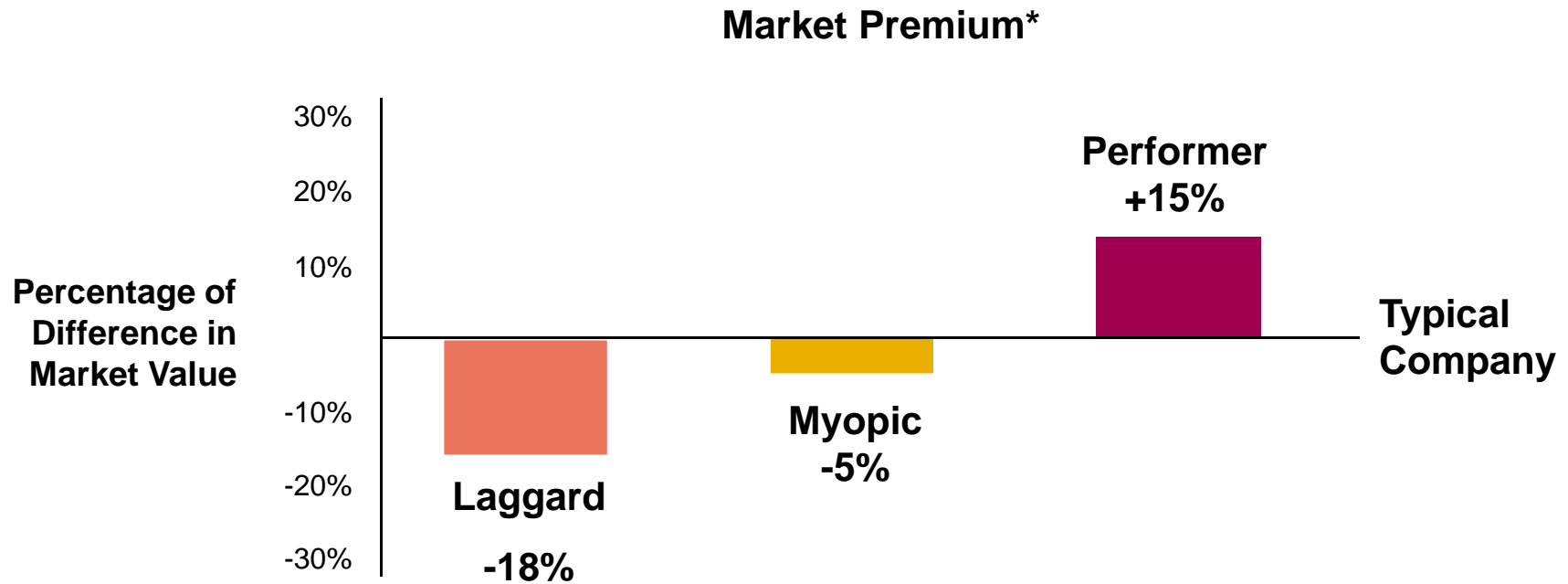
Employee Experience

- Employment deal is aligned with what company stands for

Towers Watson Brand Alignment Study, 2008.

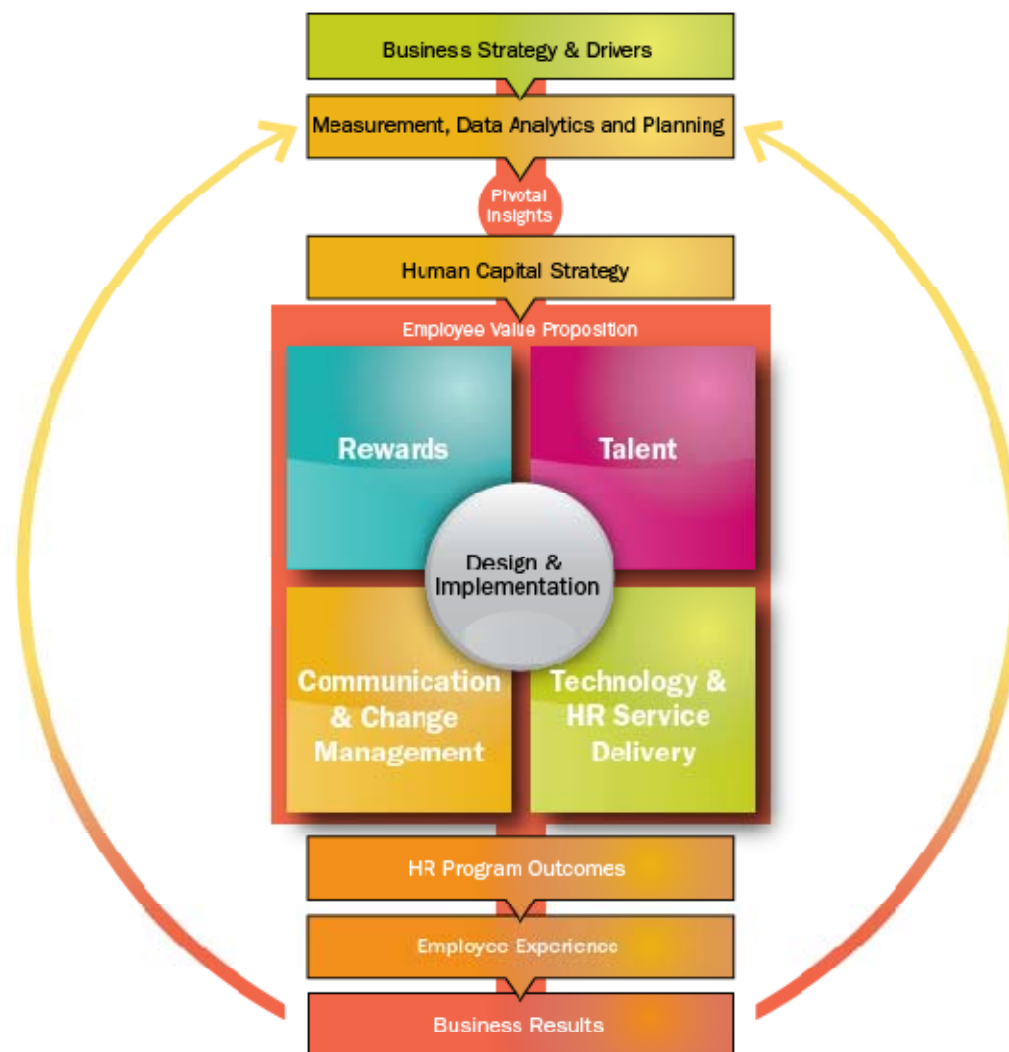
towerswatson.com

This is why it matters...

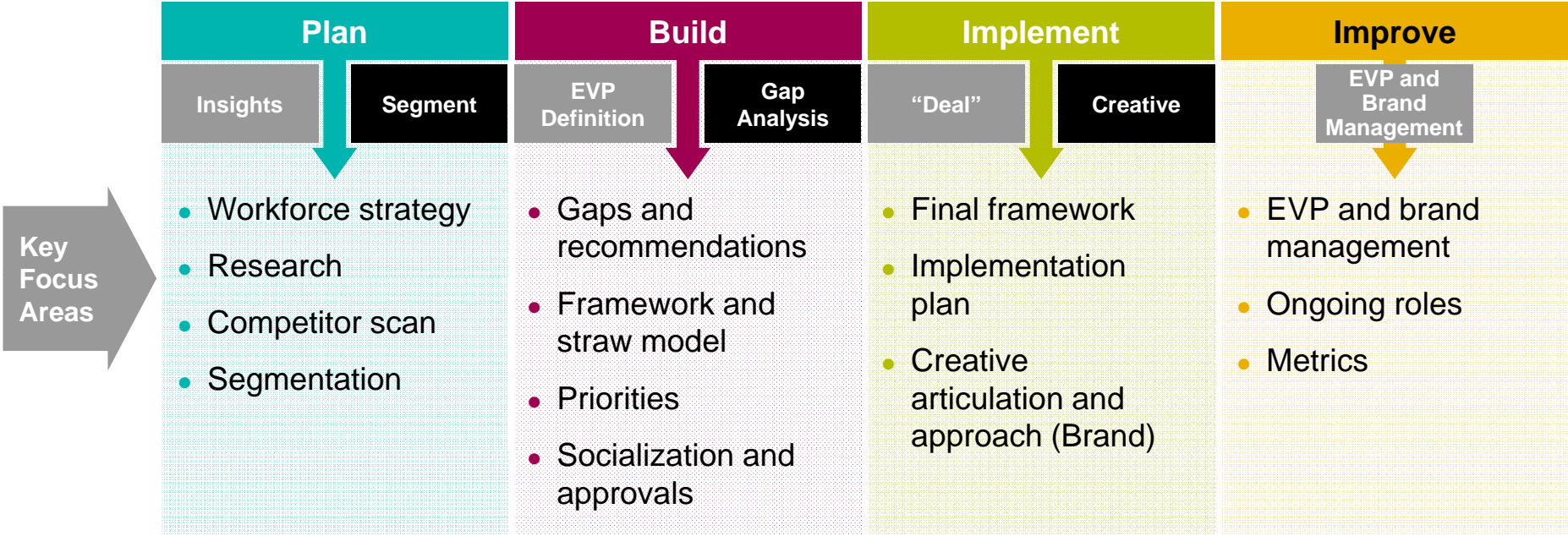


*Market Premium is the percent difference we found in market value based on brand alignment performance. Market value is the stock price times the number of shares outstanding measured at the end of the fiscal year. Towers Watson Brand Alignment Study, 2008.

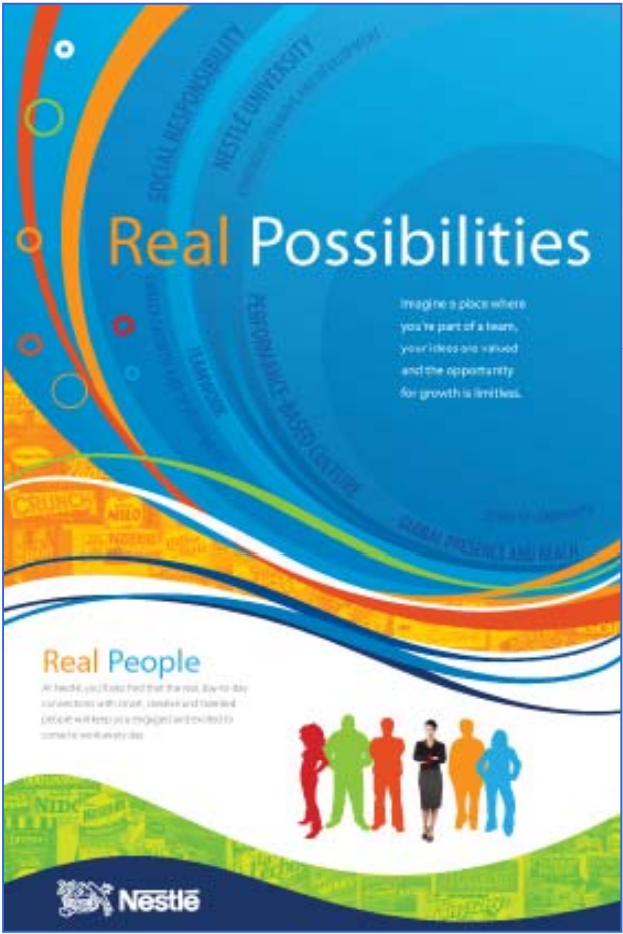
Talent and Rewards: Complete solutions through a linked framework



Getting started — Project roadmap



Nestlé



Real Possibilities.
Real People.

A case study in the retail industry

The Company

- This organization is its country's top retailer, with nearly 50,000 employees in more than 1,000 stores
- The organization has approximately \$9 billion in annual revenue, with almost 50% of revenue coming from a specific segment for which aggressive organic growth is planned
- Additional growth is planned through a new line, as well
- Each store is “owned” by an individual

The Business Challenge

- The organization developed an EVP to communicate the “deal” in a compelling way so that new and prospective professional employees could quickly see and understand the value of working in its stores
- Rapid growth and expansion of stores create a challenge because legally, a store cannot open without a licensed professional on staff
- Store/Associate owners must be licensed professionals — intensifying the challenges associated with finding, attracting and retaining suitable licensed professionals with business acumen
- A global shortage of this type of professional has increased the competitiveness of the market, so the organization needed to differentiate itself by developing a compelling attraction and retention strategy
- The organization engaged Towers Watson to create differentiated employee value propositions for critical staff positions
- Attracting and retaining top talent was critical to deliver business results

A case study in the retail industry

The Solution

- A five-step methodology was followed to synthesize company and industry research to develop segmented value propositions
 1. A series of interviews and focus groups with internal and external licensed professionals provided key insights into what employees need and want from an employer in exchange for their skills and time
 2. EVP straw models were shared and vetted in focus groups across different geographical regions to ensure that the EVP resonated with employees in the stakeholder groups
 3. Once the value propositions were validated, focus turned to preparing and delivering a communication plan and implementation road map
 4. EVPs were made foundational to the overall people strategy, with gaps, recommendations and quick wins identified for action
 5. Branded leadership tools and manager toolkits were used to cascade the message

Measuring Results in Year One:

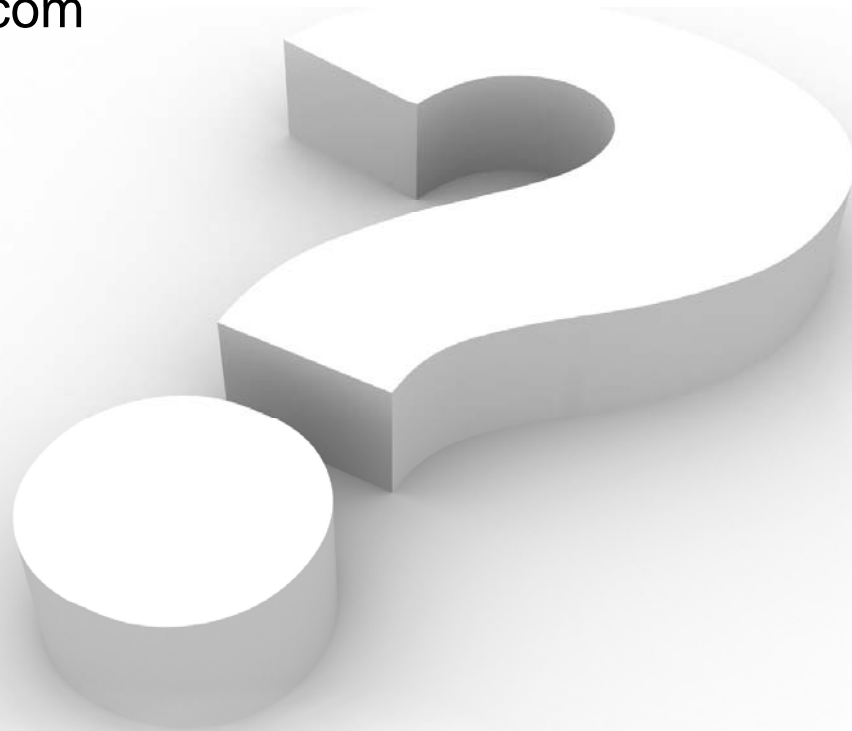
- The implementation of the organization's value propositions improved:
 - Customer satisfaction
 - Vacancy rates
 - Professional turnover rates
 - Online applications for employment

Summing up — Best practices for best results

- What is needed to be successful
 - A well articulated plan outlining objectives, deliverables, timing and the ROI
 - Ensure quantitative and qualitative data is collected and shared
 - Spend time with stakeholders up front to build awareness of employment branding and EVPs
 - A multi-skilled, multi-generational project team: HR, finance, IT, communication, business unit, students, new hires, tenured employee
 - Early adoption by leadership to change behaviors and model EVP expectations
 - Targeted leadership training recommended
 - A rigorous change management approach
 - Actively involve and engage stakeholders throughout the process
 - Measure and test throughout the process — demonstrate ROI
 - Maintain momentum once stakeholders are engaged. Avoid lengthy delays between milestones

Questions?

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