

Point of View

What Makes a Company a Best Employer?

How do organizations achieve long-term sustainability? How do they focus their resources (including talent) most effectively to drive business success? To help organizations address these questions, Hewitt Associates conducts Best Employer research globally. Our research, in over 50 markets, 5,000 organizations, and 60 industries, reveals how organizations differentiate and achieve a competitive advantage through their people. It provides the definitive benchmark to help organizations align their people practices to engage the intellectual and emotional commitment of their associates. The benefits of being a Best Employer are well documented, from improved retention to increased productivity. Based on Hewitt's global Best Employer research, we identified a number of direct quantifiable benefits resulting from this designation, as depicted on the right.

Benefits of Becoming a Best Employer

- *Higher engagement scores:* Best Employers are distinguished by high levels of engagement



- *Reduced turnover:* Best Employers see significantly lower levels of turnover in all regions
 - Asia: 40% lower turnover
 - Australia: 45% lower turnover
 - Canada: 54% lower turnover
 - Europe: 30% lower turnover
 - U.S.: 50% lower turnover
- *Larger talent pools:* Best Employers get nearly twice as many applications per employee as other organizations
- *Business results:* Best Employers outperform other organizations in both productivity and financial performance. Hewitt's research concludes that organizations with high engagement are 78% more productive and 40% more profitable than those with lower engagement

“Being a Best Employer is worth \$75 million annually in recruiting, retention, and productivity gains.”

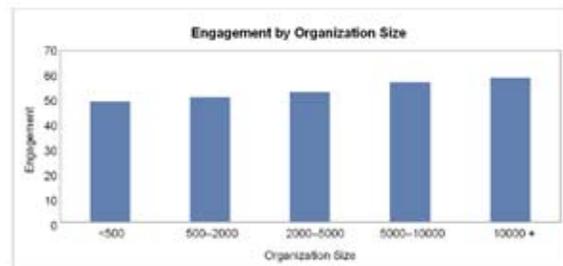
—Scott McNealy, Sun Microsystems

What organization wouldn't want to reap these benefits? But what really constitutes a Best Employer? To answer this question, we examined the findings from our Best Employer studies, as well as our comprehensive research on employee engagement. We investigated a variety of possible factors, from external criteria to specific company practices, to understand what distinguishes Best Employers.

A Look at External Factors

We've heard from some organizations that “we're too big” or “our work is not glamorous, so we can't be a Best Employer.” This type of thinking has led to various theories linking Best Employers to external criteria. Some posit that smaller companies are more likely to be Best Employers, as they have a more personal connection with their employees. Others give large companies the edge, since they can take advantage of scale and scope to offer more comprehensive benefits and a broader experience. Similar hypotheses have been proposed based on specific industry segments, asserting that it is easier to engage employees in certain industries. To understand the influence these factors might have on becoming a Best Employer, we examined the relationship between employee engagement and two significant external factors: company size and industry. High employee engagement is fundamental to being a Best Employer, as it quantifies the relationship a company has with its employees. The bottom line: Our findings indicate no relationship between being a Best Employer and the external factors of company size and industry. Below is a brief outline of our findings.

Company size: While large organizations strive to be more connected to their employees, and small organizations want greater resources, our research indicates that organization size is not a factor in engagement or becoming a Best Employer. Our Best Employers represent a range of large and small organizations. While average engagement scores actually increase slightly with company size (see chart below), the percentage of large organizations with engagement scores above 80% is similar to that in small and medium-sized organizations.

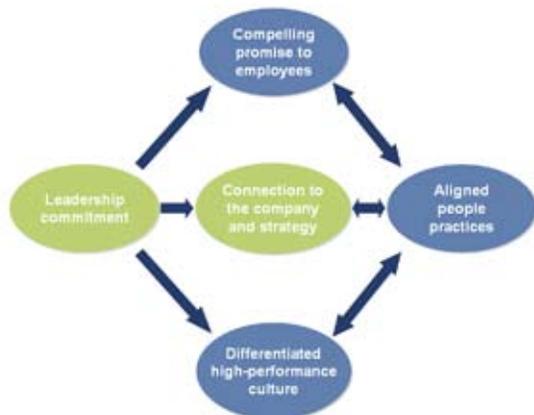


Best Employers constitute both large and small organizations. For example, in our Best Employers in Asia (2007) study, the correlation between organization size and employee engagement was negligible ($r=0.07$), and our 2009 study contains a number of large organizations with populations of greater than 30,000 among the Best Employers. In addition, our research across hundreds of *FORTUNE 500*[™] and Global 1200 organizations shows minimum, maximum, and average engagement scores virtually identical to those of much smaller organizations.

Industry: Best Employers also represent a wide range of industries, from financial services to health care to telecommunications. In total, eleven industries are represented among our Best Employers globally. Again, our findings indicate no significant relationship between industry segment and Best Employer eligibility.

What Do Best Employers Have in Common?

So, what is it that differentiates Best Employers? In short, they have aligned their people practices with company strategy and created an environment that produces positive employee experiences and strong business results. Below is a review of the specific characteristics—as depicted in the graphic—that contribute significantly to each company’s selection as a Best Employer.



Leadership Commitment

A fundamental starting point for Best Employers is strong leadership commitment. This commitment is not about saying the right things, but exhibiting behaviors and making decisions that clearly signal people are their greatest asset. Leaders’ behaviors must demonstrate that developing and retaining strong talent is a critical element of business success. But their role goes beyond this. Leaders in Best Employer organizations play a pivotal role in defining and championing the organization’s values and building a culture and an environment that values people. These leaders set the tone through their openness, involvement, and leadership style. While they instill a strong sense of accountability, they also make a commitment to growing and stretching their people.



Spansion, Ltd., a high-tech company and #1 Best Employer based in Suzhou, China, is known for its strong leadership commitment. Leaders see their primary role as translating the company’s values and vision to their employees. They have created a culture that emphasizes opportunity, recognition, and respect for the individual. This culture is reflected in Spansion’s many programs, such as “leaders teaching leaders” and recognition awards. In addition, the company has created multiple communication channels to exchange information. As part of this, senior leaders create an open forum in the company cafeteria every two weeks to share information and listen to employees’ concerns. As PC Loh, Spansion’s Vice President and Executive Managing Director, says: *“You need a leadership team that is able to articulate a vision that makes employees willing to go forward. It also requires an environment where things get done without a lot of bureaucratic involvement...Communication is not just about executives standing on podiums and giving presentations...it’s...about being face to face and heart to heart with employees in order to listen... and coach...and explain their value to the business.”*

While leadership commitment is always important, it plays an even more critical role during difficult or tumultuous times. Through our research on what drives employee engagement, we have found that senior leadership is frequently ranked among the top five most important engagement drivers during stable times. However, during times of significant change, leadership is often elevated to the number one or two driver of engagement. Similarly, manager perceptions, typically ranked sixth or seventh in their influence on engagement, become a more important driver in tumultuous times. Clearly, in the current economic environment, it is critical for leaders to demonstrate their commitment to the people in their organization, and ensure that this message is effectively cascaded to managers.

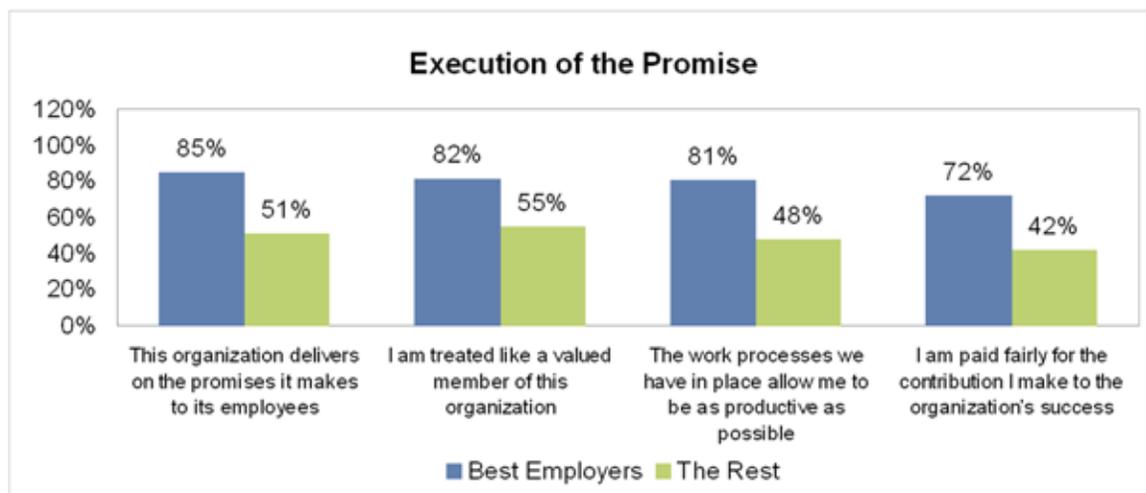
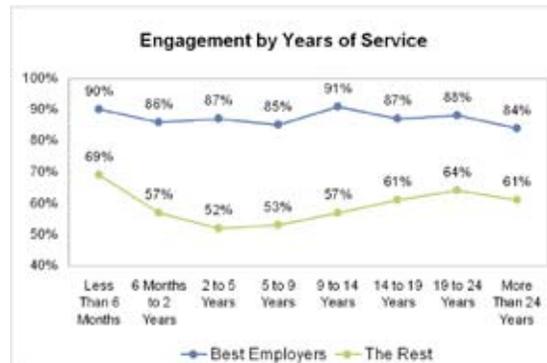
Compelling Promise to Employees

While all employees want to feel connected to their organization, highly engaged employees are also looking for a connection to the business that aligns with their individual values. Our research indicates that Best Employers are much clearer about their brand and the underlying employment “deal.” Further, Best Employers’ brands emphasize a commitment to engaging employees. For example, the top three brand characteristics at Best Employers are caring, recognition, and career advancement. These contrast with the top three brand characteristics of “the rest”—customer focus, challenge, and

excellence—which focus more on the company than its employees. In essence, the Best focus primarily on the employment experience, and are rewarded with better results.

Best Employers also consistently execute on their promises. Senior leadership is visibly committed to supporting the brand, and employees perceive that the brand promise is lived out in the organization. As the graphic below illustrates, they feel valued, allowing them to effectively do their jobs. Importantly, they also feel the reward system, a very visible element of the “promise,” is aligned with their contributions.

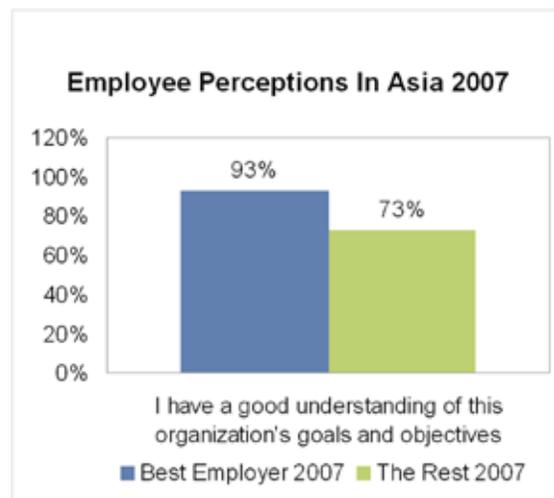
In Best Employer organizations, these higher levels of engagement remain consistent over time. As the chart below illustrates, higher engagement remains relatively stable with tenure, while in other organizations, engagement declines after the first one to two years and remains at a lower level for a number of years.



At the luxury hotel chain **Four Seasons** in Singapore, a recent Best Employer in Asia, the company emphasizes an employment brand that is directly related to their overall corporate brand of quality and personal attention. Their Golden Rule is: “Treat others the way you would want to be treated.” This includes timely recognition and reward of outstanding service. They have instituted multiple recognition awards, including “Employee of the Month,” “Employee of the Quarter,” and “Employee of the Year.” But they go beyond that. The hotel’s GM makes a point of recognizing—via a personalized thank you note—any staff member who has been acknowledged by a guest for superior service. Further, managers are encouraged to get to know their employees personally, and commemorate significant personal events (e.g., birthdays, marriages) of staff. Often the GM will be the first to greet the staff on their birthdays and wish them well.

Connection to the Company and Strategy

As we said earlier, leaders play an important role in keeping employees engaged. Part of that role is providing the critical connection between the employee and the company’s goals and strategies. At Best Employers, leaders create a compelling picture of the future and enroll employees in that future. As one former Best Employer CEO said, “People don’t unify because of hygiene factors such as a good physical working environment. They unify around a goal.” Best Employers see a direct link between engaged employees and customer satisfaction. In fact, 55% of the Best use employee engagement as a performance measure, as compared to just 28% of the rest. Clearly, these companies view engagement as a critical factor in business success.



CIBA Vision, a Puerto Rico-based Best Employer, has worked hard to better connect people to the company strategy. Decreased demand for products and competition from other regions with lower labor costs created significant challenges to the company’s profitability. In an effort to increase productivity, the company underwent a major transformation. This included providing much more communication to employees on company goals and individual expectations. The company established formal communication channels, including daily 30-minute employee-led team meetings with senior leaders to review goals and employee issues, as well as daily senior leadership meetings to channel employee feedback, review goals, and address issues promptly. As a result of these and other related actions, the company saw a 29-point increase in employee engagement (from 63% in 2004 to 92% in 2007). And despite a 37% reduction in force, the company actually improved their standing as a Best Employer during this period.

Differentiated High-Performance Culture

Best Employers inspire a passion for outstanding achievement among their people. These companies set aggressive goals and hold employees accountable for achieving them. They have a sustained focus on empowerment; this focus motivates employees to contribute the discretionary effort that makes such a difference to productivity and the bottom line. Best Employers also take development very seriously; they provide employees the support and challenge they need to grow and follow through by recognizing superior performance through opportunities and rewards. This is particularly true for high-potential employees, who receive additional attention and development. And this does not fluctuate with economic cycles; these companies provide consistent support and development to their people. It is through this sustained effort that Best Employers create a high-performance culture, which becomes a true differentiator for them in attracting and retaining key talent.



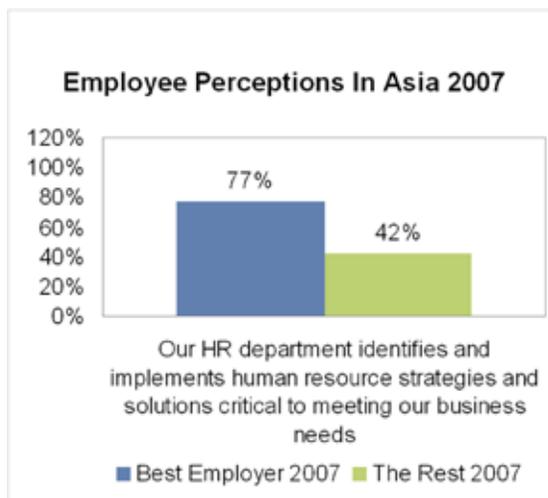
Microsoft (regional winner in Central and Eastern Europe) has high expectations for its employees. Because Microsoft is driven by innovation, attracting the best talent is a top priority, according to Vahé Torossian, Microsoft's Regional Vice President for Central and Eastern Europe. It is not only about attracting people but providing broad and varied career

opportunities through local and international job locations. The company culture encourages people to take on bold challenges and to be accountable for performance at both an individual and team level. Delivering outstanding performance is considered to be a crucial leadership attribute. Microsoft measures high performance through both financial and non-financial indicators. Traditional metrics such as revenue, profitability, and market share are complemented by qualitative indicators such as customer experiences, employee satisfaction, diversity, and citizenship initiatives.

The fact that Microsoft has become a Best Employer in four countries in the region shows that their high performance culture works for their employees. In all four countries, more than 84% of employees are engaged. The majority of employees feel that their work makes a real contribution to meeting customer needs, and they appreciate the opportunities and challenging work offered to them. As one Microsoft employee put it, *"You have to show outstanding performance by taking part in outstanding opportunities. Every day you have to be better than yesterday."*

Aligned People Practices

A core theme across all the Best Employers is the alignment of people practices with organizational strategy. Best Employers ensure that the efforts and investments they put into their HR programs are in direct support of the company's goals. They also work to ensure that their people practices are integrated with one another, giving employees a consistent employment experience that reflects the culture of the organization. All key practices—recruitment, development, performance management, and reward practices—operate in harmony to drive employee engagement. Further, Best Employers reward employees for specific behaviors that support the organization's goals, creating a clear and meaningful alignment between the individual employee and the company.



The Aditya Birla Group, a multinational organization based in Mumbai, India, has placed much effort around aligning their people practices with the organization’s goals. Among other things, they have implemented recognition programs that encourage the behaviors they need to succeed. “The Power of Five” honors what they call “Value Champions,” while “Vision 2015” encourages dialogue about the company’s future direction. Kumar Banglam Birma, Chairman, says: *“Our people systems are aligned to foster excellence, empower and enrich people, and recognize creativity (and) innovation...People with a track record and...a passion to perform are steered on to a growth trajectory.”*

How Are Best Employers Responding to the Economic Downturn?

Hewitt has conducted Best Employer research for more than ten years, and has witnessed a number of turbulent periods—after the September 11 terrorist attacks that changed the world; in 2003 when SARS rampaged its way through Asia; in 2005 when Asia was recovering from the tsunami; and in 2007 when the sub-prime problem was just starting to bubble and oil surged to \$98 a barrel.

We have learned that Best Employers demonstrate remarkable consistency during both stable and difficult times. For example, this year’s research revealed that as of February 2009, none of the Best have reduced their

workforces, compared to 33% of the Rest. In fact, many CEOs at Best Employers indicate that they are taking direct actions to retain talent by making other cost concessions. Best Employers continue to reap the benefits of these decisions through increased productivity and profits over time.

In the uncertainty we now face, employers need to stay more focused on harnessing the discretionary effort that engaged employees deliver. It is precisely that extra effort that can make the difference in how organizations are impacted by the downturn, how quickly they emerge from it, and how strong they are after the downturn passes.

Best Employers face the same external factors as other organizations. However, they have learned that maintaining an environment that is focused on key human capital elements allows them to sustain their strong position and prosper—or be positioned to prosper when the economy improves. Understanding what drives employee behavior during these economically difficult times is critical to business success.

When we analyze data from participating organizations in our most recent research, we find three broad areas where the Best are differentiated:

- 1. Relentless execution of programs.** Best Employers are more focused and disciplined in refining their human capital programs and sticking with them. This allows them to create the organizational momentum required to deliver results consistently.
- 2. Persistent empowerment of managers.** Best Employers are deliberate in providing autonomy to managers in their organizations. They provide managers with guidelines, but do not micro-manage as many other organizations do. As a result, managers at the Best are better equipped to perform their roles.

3. Highly efficient HR functions. Best Employers are able to efficiently deliver HR services and processes with fewer resources. While CEOs at most organizations agree that HR implements strategies and solutions critical to meeting current business needs, CEOs at the Best are much more satisfied with the efficiency of their HR teams.

Conclusion

As we have seen, Best Employers succeed not by virtue of their size or industry, but by valuing their people and bringing out the best in them. Through sustained commitment, they capture the hearts and minds of their employees and ensure that company goals and employee aspirations are aligned. And they do this during good times and bad. For Best Employers, the recent economic difficulties have not altered their efforts to maintain a positive relationship with their employees. If anything, these challenges represent an opportunity to renew their focus on the employment relationship and build a sense of loyalty that will endure beyond the current recession.

So how do you embark on this journey toward being a Best Employer? Perhaps you have taken some initial steps, or have just begun an assessment of where your organization is today. Just remember, the effort to become, and remain, a Best Employer is both a sprint and a marathon. Best Employers must move quickly to demonstrate immediate, recognizable value

About Hewitt Associates

Hewitt Associates (NYSE: HEW) provides leading organizations around the world with expert human resources consulting and outsourcing solutions to help them anticipate and solve their most complex benefits, talent, and related financial challenges. Hewitt consults with companies to design and implement a wide range of human resources, retirement, investment management, health management, compensation, and talent management strategies. As a leading outsourcing provider, Hewitt administers health care, retirement, payroll, and other HR programs to millions of employees, their families, and retirees. With a history of exceptional client service since 1940, Hewitt has offices in 33 countries and employs approximately 23,000 associates who are helping make the world a better place to work. For more information, please visit www.hewitt.com.

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to employees, while sustaining the long-term focus that achieves lasting change. And while these organizations view achieving Best Employer status as a business priority, their most important goal is keeping their employees engaged and focused on making the company successful.

More Information

Hewitt Associates' Engagement practice works with clients to measure, enhance, and sustain employee engagement through targeted people practices. If you'd like to learn more about our capabilities and experiences, please contact an expert now: Ted Marusarz, Global Engagement & Culture Leader (ted.marusarz@hewitt.com); Rita Veres, Europe (rita.veres@hewitt.com); Teryluz Andreu, Latin America (teryluz.andreu@hewitt.com).

About Hewitt Position Briefs

Based on Hewitt research and experience, each global brief highlights critical issues and practices of keen interest to today's organizations. For more information, please contact Diane Caldwell (diane.caldwell@hewitt.com) or Wes Thompson (wes.thompson@hewitt.com).

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