

Surviving and thriving in economic turmoil:

taking a lesson from high performing companies

Perspectives

Originally published by Towers Perrin

Few companies have remained untouched by the recession and even now, amid signs of recovery, caution reigns. While many companies did whatever it took to survive – reducing head count, freezing salaries, suspending contributions to retirement plans, eliminating training programmes – a number of organisations weathered the crisis particularly well, demonstrating resilience and maintaining consistently above-average performance. These were high-performing companies that went into the crisis in a position of financial and/or operational strength – and held fast to those strengths even through the worst of the downturn. Certainly, these companies took prudent steps to control costs, but they also viewed the recession as an opportunity to enhance a range of business-critical processes, from customer relations to internal communication.

Admittedly, a strong element of corporate Darwinism is at work here. The strong have survived so well precisely because they're strong, and had advantages their less 'fit' counterparts did not. But it is true that sustaining performance through the worst recession in recent history goes beyond having superior financial or operational resources at the outset. It also depends on a set of leadership and workplace practices that help maintain those initial advantages and give high performing companies the wherewithal to continue to outperform the rest of the market.

So what are the practices that distinguish these high-performing companies from other organisations? And how can gaining a better understanding of those practices help organisations looking to regain momentum as the economy improves?

To answer these questions, Towers Perrin analysed employee opinion data from over 460,000 employees at more than 30 global, high-performing client organisations over a twelve-month period from Q3 2008 to Q3 2009 (see below). This data shed light on the inner workings of organisations from the perspective of those on the front lines, and help highlight ways in which various organisational practices can reinforce, or block, a high-performance culture and orientation.

Defining High-Performing companies

We selected a group of global companies from our normative database, based on the following criteria:

- Above average financial performance for their industry, as measured by net profit margin and/or return on capital investment;
- Above average employee opinion scores on questions about company culture and organisational policies.

In other words, our global high-performing norm reflects the views of employees working in global companies that out-perform their peers on both financial and workforce dimensions. We then compared the opinions of employees at these companies against those of employees across our database in general to complete this analysis.

The chart opposite illustrates the differences we found in comparing the high-performing norm to our national norms.

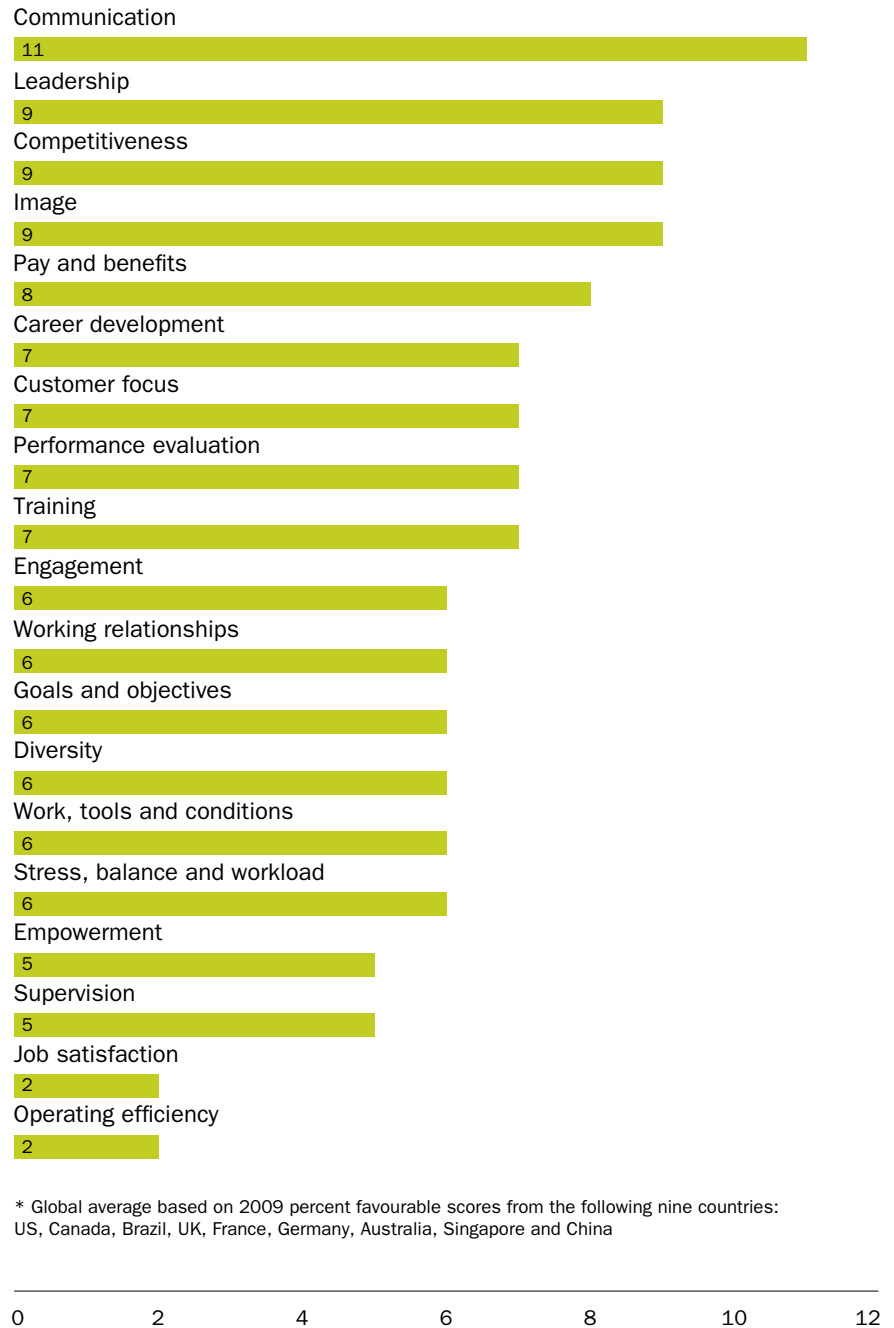
These differences fall into three broad areas, which are also broadly consistent with our experience and observations working with companies across the performance spectrum during the recession.

1. Leadership and communication. High-performing companies understand that the role of leadership in fostering and sustaining employee engagement is always critical, but even more so in times of change and uncertainty. To achieve desired business outcomes, leaders need to be fully in sync with the organisation’s values, culture and business strategy. Their role is to forge a shared view of what the strategy means and to understand how the workplace culture might need to evolve to support that strategy – and what day-to-day management decisions will make it possible.

Among the most critical activities that leaders need to pursue is to present a consistent and compelling vision for employees of where the organisation is going and how it will get there. Direct and honest communication, not only from leaders but from managers at all levels, has virtually no cost, but exerts tremendous influence on employees. All organisations need to create an effective and meaningful communication framework that connects employees to the business and supports employee engagement and customer focus. Whether a company is responding to a short-term financial crisis or pursuing a long-term strategy, effective communication is a critical part of ensuring a high level of work performance. Our research has consistently shown that more knowledgeable, empowered employees add more value to business performance.

2. Maintaining and building your competitive position and focus on the customer. This may seem an obvious and natural course of action. However, what is often overlooked or misunderstood is that high-performing companies have built their workplace environment around the cultural attributes needed to deliver on their own specific business strategies and competitive priorities. A manufacturer competing chiefly on cost and efficiency, for instance, needs very different behaviours from its people than a luxury goods retailer for which brand image and personalised customer attention are the ultimate differentiators.

How do GHPs in 2009 compare to ‘Average Companies’?*



* Global average based on 2009 percent favourable scores from the following nine countries: US, Canada, Brazil, UK, France, Germany, Australia, Singapore and China

Of course, strategic priorities change and cultures evolve. The high-performing companies we studied know this – they do not stand still; they adapt, innovate and respond to changing market conditions. Ultimately, the right work environment is the one built around the attributes needed to deliver on a specific company's strategy and competitive priorities. As a result, companies need to understand where and how their culture needs to be aligned with competitive priorities, and to be able to adapt effectively to changing circumstances.

3. Offering the right 'deal' to employees and ensuring employees understand it. There is no escaping the significant gap between high-performing companies and others when it comes to total reward packages. High-performing organisations understand that offering the right 'deal' – broadly defined, including both financial and intangible components – to employees creates a higher level of goodwill, and in turn, higher levels of engagement. And our research confirms that there's a strong link between higher levels of employee engagement and company financial performance.

Throughout the recession, of course, most organisations had to curtail pay rises and/or investments in training. While employees in high-performing organisations were probably kept whole to a greater extent than those in struggling companies, the high performers were certainly no exception.

However, high performers tend to be more strategic in how they allocated scarce compensation and training resources. As the Compensation and Benefit Director at one top-performing company told us recently, "I used to think I couldn't afford to segment my reward and benefits programme, now I know that I can't afford NOT to." Her company, like other high performers, focuses on delivering an effective total reward programme to employees at all levels, including meaningful pay differentials for superior performance and key contributors. This helps create a reservoir of goodwill among employees that has helped the company weather the storm.

All organisations should continuously 'rebalance' the deal to ensure that the rewards package meets the organisation's needs and the employees' needs as well. By measuring workforce attitudes to know what is more or less important to different segments of the employee population, organisations can creatively optimise their workforce investments in a way that is meaningful to employees and does not compromise employee engagement

Carpe Diem – Seize the Day. As companies begin to shake off the lingering impact of the recession and begin to focus on recovery, there is a distinct and powerful window of opportunity to adapt the lessons from high-performing companies to achieve new levels of performance at every organisation. Learn from the past: challenge your leaders to be visible and open, shake up your workplace culture and embrace the people practices and processes that have long proven successful in driving employee engagement, and ultimately, business performance.

Towers Watson

Towers Watson is a leading global professional services company that helps organisations improve performance through effective people, financial and risk management. With 14,000 associates around the world, we offer solutions in the areas of employee benefit programmes, talent and reward programmes, and risk and capital management.

Watson Wyatt Limited, a Towers Watson company, is authorised and regulated by the Financial Services Authority in the conduct of UK investment business.

The information in this publication is of general interest and guidance. Action should not be taken on the basis of any article without seeking specific advice.

To unsubscribe, email eu.unsubscribe@towerswatson.com with the publication name as the subject and include your name, title and company address.

Copyright © 2010 Towers Watson. All rights reserved.
TW-EU-L-0013

towerswatson.com

TOWERS WATSON 