

Strategy at Work

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A New Deal

Redefining EVP helps drive performance at Molex

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About Molex

Leading one-source supplier
of interconnect products

Estimated \$2.6 billion in
annual global sales

Headquartered in Lisle, Ill.;
25,000 employees in 17
countries

No. 642 on the *Fortune*
1000 list

Company portfolio among
the world's most extensive,
with 100,000 reliable
electronic, electrical and
fiber optic interconnects,
switches and application
tooling products

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By Jennifer S. Arapoff

Martin Slark, chief executive officer, Molex

For more than 70 years, Molex Incorporated has been successfully engineering and manufacturing electronic connectors and related components. Though Molex is now a public company, the founding family still maintains a strong presence. The company has a long history of high performance and has earned a reputation for quality.

But the landscape of the electronics industry has altered in recent years. Competition for talent has turned fierce. Innovation has become lightning quick, and globalization has required more coordination and integration across regions. Molex recognized the need for change.

Chief Executive Officer Martin Slark says he knew the company had to reengage employees and boost its performance to maintain a leadership position in the industry. Good employee performance needed to become even better throughout the company.

“We turned to longtime partner Towers Watson (Watson Wyatt at the time) for help,” says Slark. “They helped us see that we needed to entirely revamp our employee value proposition before we did anything else.” An employee value proposition (EVP) is an employer’s promise of what the employee can expect from the employer and an explanation of what the employer expects in return.

“Once we had done that, we could consider how to adjust multiple levers — such as compensation, performance management and communication — in order to meet our goal of being a consistently high-performing organization,” says Slark.

First, look within

As a first step to improving performance, the company conducted a series of focus groups and team meetings to gather employee perspectives on what it means to work for Molex. Leaders needed answers to broad questions: Why do employees work here? What company attributes will help us retain people? What stimulates high performance?

“Some of our long-service employees could articulate what it meant to work for Molex,” says Dianna Sparacino, vice president of global compensation, benefits and talent management. “But it wasn’t the same message across the board. And many of our newer workers couldn’t really express it.”

In addition, there simply were fewer long-service employees than in the past. “We looked at our demographics and found that a good portion of our employees had fewer than five years with the company,” says Susan Armitage, director of employee communication. “With the varying levels of experience came many different frames of reference.”

The employee perspectives had been affected by some difficult transitions. “There was a bit of a morale problem, because the company hadn’t focused on its employees in recent years,” says Ana Rodriguez, senior vice president of global human resources. “The tech bubble had burst, and the industry was consolidating and losing big players. Then the global economic crisis took hold. Molex experienced benefit and salary reductions, pay freezes and headcount reductions. It was a rough time in many ways.”

Another wrinkle: Before the economic crisis, Molex had gone through a restructuring to sharpen its customer focus and improve company performance. The company moved its manufacturing, HR, information technology, finance and other corporate processes from a decentralized, regional model to a centralized system organized by product division. Optimizing the global structure required changes to job titles, reporting relationships and rewards — adding to employee concerns and risking a further dilution of the EVP.

“We began our work with the global grading of job titles, roles and responsibilities to support Molex’s transition away from regional silos,” says Sandra

The Road to a Well-Defined EVP

An employee value proposition, or EVP, is an employer’s promise of what the employee can expect from the employer and an explanation of what the employer expects in return. An EVP helps employees determine whether they should join or stay with a company or give extra, discretionary effort.

At Molex, the EVP components are pay, incentives, benefits, career opportunities, job security, loyalty, work environment and culture. The company’s recently redefined EVP includes:

- Global reorganization, with a new cost structure and three global product divisions supported by a single global sales and marketing division
- Global job pricing and grading, including new ways of reporting and more detailed responsibilities
- A more focused, transparent incentive system with more measureable goals
- A clear change management and communication plan
- A streamlined performance management process, with individual goals connected to Molex priorities
- A stronger, more direct link between performance ratings and incentive pay
- New employer branding
- Clear, consistent and frequent communication to all key audiences

Prestine, Towers Watson senior compensation consultant. “Once the global framework was in place, we were able to design a more consistent, global approach to compensation, which included base pay, annual incentives and sales incentives. Through these efforts, Molex reinforced the new EVP and pay-for-performance message.”

Towers Watson also helped Molex revisit its performance management process. “This wasn’t reinventing the wheel entirely,” says Ilene Gochman, Towers Watson senior consultant. “The company simply had to refocus its strategy on the importance of setting clear objectives, measuring accurately and



Photo by John Nienhuis

(Left to right) Kathy Walgamuth and Sandra Prestine, senior Towers Watson consultants; CEO Slark; and Ilene Gochman, senior Towers Watson consultant



Photo by John Nienhuis

Molex executives with their Towers Watson consultants in Molex's U.S. headquarters outside of Chicago

differentiating performance. We did that by modifying the performance management process and through additional training, communication and technology.”

Molex's Rodriguez points to the results of those efforts: “Ultimately, all of this work evolved into a culture and change management project to create and communicate a redefined employee value proposition.”

Communication solidifies brand

As part of a regionally focused company, Molex employees tended to feel disconnected from other offices and corporate headquarters. The new structure provided a greater need — and opportunity — to create a more cohesive workforce.

“We needed to manage the challenges of employees reporting to supervisors in different geographies and time zones,” says Armitage. “Communicating one employer brand meant having all employees understand the corporate mission and values and,

more important, how they personally were connected to them.”

So Molex developed a new employer brand, including standardized graphics and colors for consistent use across the globe. The new brand was introduced via *Molex Focal Points*, the company's annual corporate strategic goals document, a first-ever *Employee Annual Report* and the new management incentive plan.

“The strategy we developed for Molex included new messages regarding the EVP and ensured time for training and ‘precommunication’ with HR and leaders,” says Kathy Walgamuth, Towers Watson senior communications consultant. “We revised the communication strategy to ensure alignment and clear messaging. But it helped that an excellent communication process was already in place.”

Another factor Molex considered in forming and executing a more effective communication strategy was the analytical nature of the company's engineering employee base. “Our engineers



provided wonderful insight through focus groups,” Sparacino says. “Based on their feedback, we made sure to include metrics in our communication, and we were very detailed about the new compensation plans and performance management expectations. That worked in our favor for an analytical culture.”

Martin Slark’s face was already familiar to employees, and face-to-face meetings were a common, expected method for leadership to float ideas and launch new processes. Molex deployed a comprehensive communication plan across the entire company, and the revised communication strategy used some of the existing channels to support a culture of transparency. For instance, Slark holds quarterly meetings after the company’s earnings are released. This is done live at headquarters and taped for distribution throughout Molex.

Slark and Liam McCarthy, Molex’s president and chief operating officer, also write the *Monthly Business Update*, which is sent to all employees. Ongoing, global e-mail communications and a robust intranet site offer daily news as well.

Armitage says the main communication change for employees has been global messaging. “Communication is different now. The new employer brand reinforces the employee value proposition, while ensuring messages and their delivery are consistent throughout the company, globally.”

Defining success

So far, the EVP project and related modifications have been worth the effort. Slark gives much of the credit to the Krehbiel family, the organization’s founders. “We didn’t change any of our founders’ fundamental ideas,” says Slark. “Reinvesting in the company, encouraging high performance and being highly accessible — we just had to adapt those attributes to a changing world.”

Rodriguez commends Slark for being approachable and championing the various projects related to improved performance. She also says solid research was a critical success factor. “Towers Watson’s benchmarking and frameworks for action plans were invaluable. With our consultants’ help, we learned to understand what ‘employee engagement’ and ‘employee value proposition’ really mean. It was a new language to us, and they helped us become fluent.”

The transformation is apparent in the company’s Yamato, Japan, office, where the president has been blogging and welcoming U.S.-based employees to his web page. In a huge cultural shift for the company’s Japan-based workers, Katsumi Hirokawa frequently extols the importance of communicating in both Japanese and English.

“Every day, more and more employees are reading the communication materials, seeking out information and using the language we’ve put forth through the EVP messaging,” says Sparacino. “That, coupled with the successful rollout of our management incentive plan, demonstrates immense progress already.”

Of course, there’s more to do. “The jury’s still out on some aspects of our EVP work,” acknowledges Slark. “But the depths of the downturn are behind us, and our comeback has been excellent. We believe some portion of that success is due to the fact that our employees better understand their roles and how they relate to the company’s objectives. Given that, we’re arguably in an even better place than before the downturn.”

Opportunity for Change

Redefining Molex’s employee value proposition in the midst of a global economic crisis was challenging. But CEO Martin Slark and HR executive Ana Rodriguez also saw the process as an opportunity to strengthen employee performance.

“Talking about performance in the midst of an economic downturn — including reductions in head count, benefits and compensation — is a difficult but important message to communicate,” says Towers Watson’s Ilene Gochman. “Molex had excellent long-term vision. The leadership was willing to create the appropriate plans, focus employees on executing them well, communicate early and often, and work to understand what engages employees.”

Molex’s Susan Armitage agrees. “The timing was a challenge, and we could never have completed it so quickly without Towers Watson’s help. The EVP process gave us an opportunity to articulate the reasons people want to work at Molex and reinforce those reasons in our communication.”

And having the revamped EVP in place positions Molex for success in a rebounding economy. “We wanted to be an employer of choice when we were running on all cylinders,” says Rodriguez. “We are now able to communicate the fact that, when the company performance improves, we’ll pay more. Employees tell us they feel more connected.”

About Towers Watson

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

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