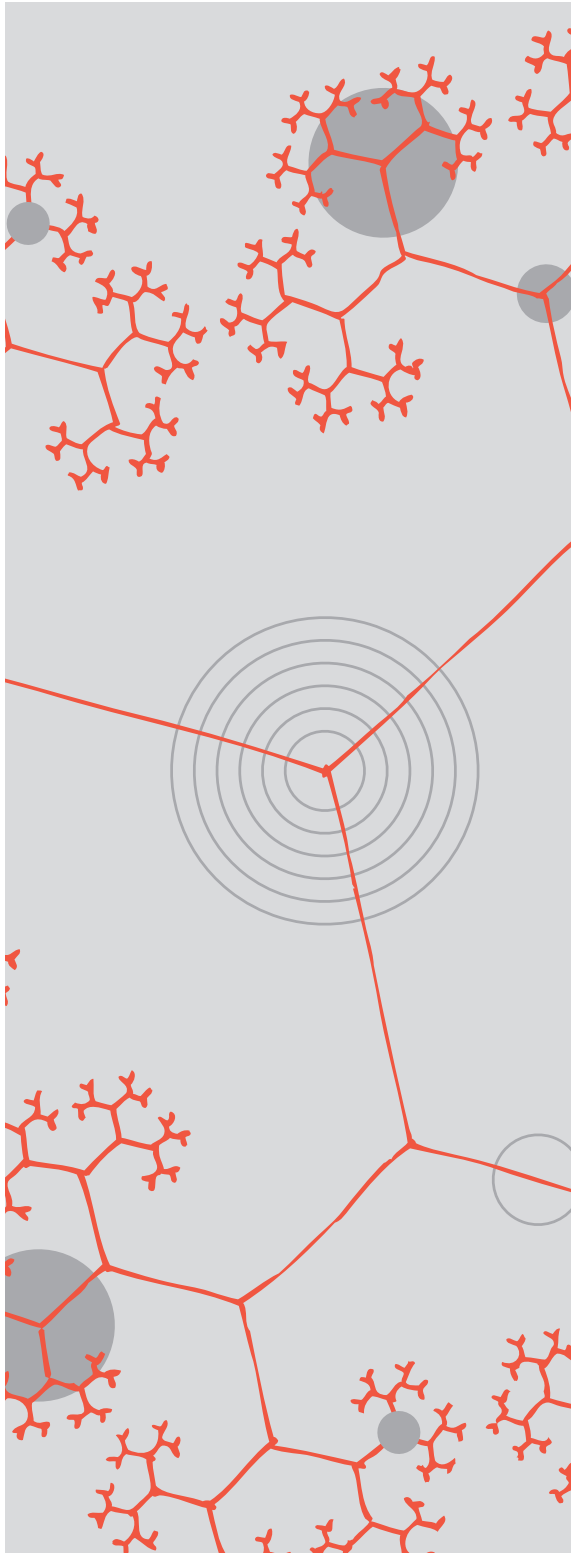


Employee engagement in practice

JTI case study



JTI, the international division of Japan Tobacco Inc, was formed in 1999 when the Tokyo-based parent company acquired the international business of RJ Reynolds. It has grown rapidly since and now employs over 25,000 people who bring Winston, Camel and other well known tobacco products to consumers in 120 markets around the world. Currently JTI is recognised as one of the most dynamic tobacco companies worldwide.

What is the secret of JTI's success?

A clear vision, a sound business strategy and healthy financials have all contributed to JTI's overall success. The firm's people have played a major part in its success too. JTI as an employer has engaged every single employee in its business, with excellent results.

The link between engaged employees and successful businesses is well established. Various studies conducted by Towers Watson have found that global organisations with high levels of employee engagement have stronger business performance – and many business leaders already act in accordance to this. For example, Towers Watson compared the financial performance of organisations with a highly-engaged workforce to peer organisations with a less-engaged workforce. It found that, in the group of companies with high levels of employee engagement, operating income improved by 19% over 12 months while, in companies with low levels of engagement it declined by 33%.

“Knowing what employees think and need in order to perform at their best is crucial. The role of management is to create an environment where employees can perform at their peak allowing them to drive the company to the top.”

Jörg Schappel
Senior Vice President for human resources, JTI

In JTI's case, having engaged employees has undoubtedly been a factor in its growth performance over the last decade. The current challenges facing the company are maintaining and intensifying high levels of engagement among its existing employees and strengthening its employer brand to attract future recruits. The latter is even more challenging because tobacco companies, regardless of their individual merits as employers, are at a distinct disadvantage when it comes to recruitment. Available evidence suggests that some 40 to 50% of job seekers would reject tobacco-related employment opportunities on principle and it is therefore imperative to understand how JTI is perceived as an employer. Key to this is understanding what engages employees at JTI and then translating these insights into actions that can drive overall business performance.

Understanding employee engagement

Satisfactory rewards and working conditions have become fairly standard in most high-performing organisations. Higher levels of employee engagement tend to reflect less tangible considerations such as a shared view of goals and ambitions, admiration for the quality of leadership, support for the company's values, perceptions of openness and trust, or perceived fairness regarding how people are treated. The more JTI understands what its employees value, the better it can strengthen their levels of engagement. Moreover, understanding not only employees' concerns but also their priorities and drivers of engagement allows companies to focus efforts where they are most needed, resulting in better business performance.

How is employee engagement measured?

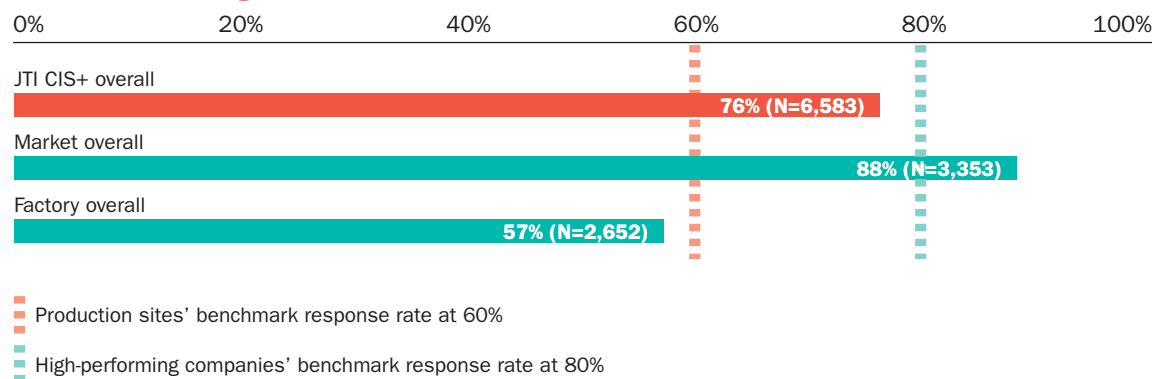
In 2009 JTI's desire to better understand its employees as well as their levels of engagement led them to commission a survey in its CIS+ region.

The choice of geography, which included Russia, a number of former Commonwealth of Independent States (CIS) republics and some Balkan countries, was significant – JTI enjoys overall market leadership in Eastern Europe, especially in Russia where it occupies the number one position. The company believes that a high level of engagement among its 8,500 employees in this region is essential to sustaining this market position.

JTI worked with Towers Watson to design a survey that would help business leaders evaluate current levels of employee engagement, and also allow them to design action plans for the future that would reinforce and improve engagement over time. JTI's regional management team was impressed by Towers Watson's ability to assess its needs: we drew on a wide range of benchmarking data and best practice from other high-performing companies, as well as our own expertise to provide fresh perspective to their organisation.

The project took 12 months to complete, beginning in December 2008 with a pilot survey in Albania, Serbia, Bosnia and Herzegovina. The main wave of Armenia, Azerbaijan, Belarus, Bulgaria, Georgia, Kazakhstan, Moldova, Russia and Ukraine then took place in March to April 2009. Employees were asked to respond to over 60 questions on topics which included business vision and leadership, organisational direction, change management, operating efficiency, empowerment, rewards, performance management and the quality of direct management. The project was facilitated through the use of confidential questionnaires which were available in local languages online and in printed format.

Fig 01. Successful communication efforts led to high response rates across the organisation



The response rate was 88% among employees working in sales, marketing and administrative functions and 57% in manufacturing locations – JTI achieved a very robust 76% overall response rate (see **Figure 01**). The 'Market overall' figure is considerably higher than the average for companies in Towers Watson's index of high performing companies; the 'Factory overall' rate is close to typical for returns expected from production sites. This successful outcome was attributed to three factors:

- The quality of the project design and management, which had much to do with the particularly close collaboration and strong working relationship that developed between Towers Watson consultants and JTI.
- The favourable impact of highly creative, systematic and technically advanced communication campaigns in each market and factory (see below for details).
- The visible ownership and active support of local senior management.

Creative communication: build visibility, credibility and confidence

An employee engagement survey is a real opportunity to gather valuable employee feedback, informing top management of the perceptions employees have about the direction and the climate in the organisation. The results of an employee survey support the leadership team in their pursuits of successful projects and spotlight areas for development, facilitating overall business strategy-making.

The results of the survey showed that JTI's efforts were successful: four out of five JTI employees stated that they believe that management will act on the problems identified.

One of the key success factors of the project was a region-wide communication plan with a creative implementation plan tailored to each individual market and factory location. The project team designed templates for a variety of communication tools (for example, manager's letters, survey invitations and posters) which were translated into local languages and adapted to fit local needs. All communication

materials used the same employee engagement survey branding with a unique design, logo and tagline to reinforce positive messages about the survey every time they were used.

Another essential success factor in the project was the active encouragement given to employees by senior leaders to participate in the survey. In both their written and their face-to-face communications leaders emphasised the importance of feedback from every employee as an opportunity to express everyone's opinion about the company. This communication was supported by activities in the local markets and factories, via intranet and corporate magazine, podcasts, screensavers, pop-up windows on computers, wall posters and countdown banners. Elsewhere there were particularly creative methods of reaching out to employees. In Russia, for instance, coordinators were distributing CDs with 'engagement music'. In Kazakhstan employees also received survey-branded pens. In both countries employees could watch a video explaining the survey process to them.



Is JTI a good place to work?

According to the survey results, JTI is definitely a great place to work. In whatever way we look at the results – in absolute terms, or compared to Towers Watson’s performance or industry norms – employees show high levels of content with JTI as an employer. Levels of engagement, confidence in the direction of the company, positive views of the leadership as well as of relationships with direct managers, talent management, rewards and performance management practices were above the norm in Towers Watson’s Global High Performing Companies benchmark.

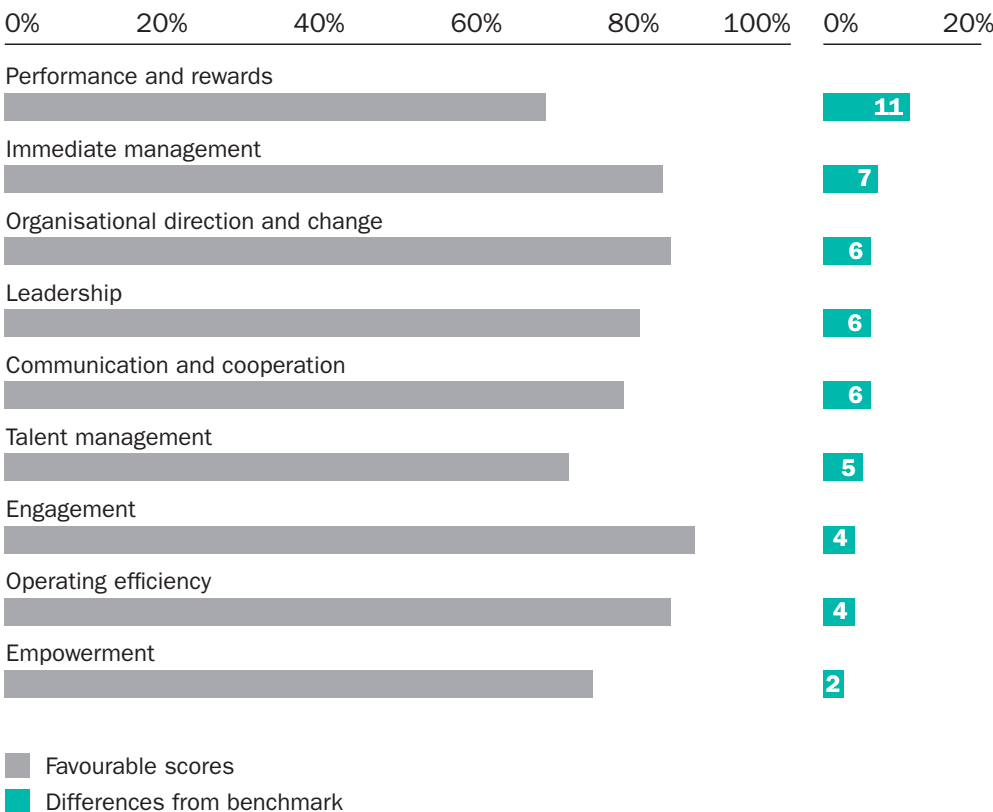
In terms of engagement, more than 90% of the region’s employees believe strongly in the goals and objectives of JTI, support the values for which JTI stands and would recommend the organisation as a good place to work. There are clear signs that employees are keen to ‘go the extra mile’ for the organisation – 94% say that, in order to help JTI succeed, they are willing to put in effort above and beyond that normally expected.

What makes JTI employees engaged?

Overall favourable views on JTI as an employer of choice surely contribute to the increased levels of engagement in the company. Nonetheless, Towers Watson’s research showed that, out of all organisational characteristics, perceptions of some key topic areas have the greatest influence on employee engagement levels in the CIS+ region. These are views around leadership and the direction of the organisation (especially respect, interest in employee well-being, clarity of direction, recognition of an individual’s contribution to company success) and satisfaction with performance management systems and rewards (especially clear and fair performance evaluation processes, non-monetary recognition and rewards).

Fig 02. JTI survey results in the CIS+ region compared to Towers Watson’s Global High Performing Companies benchmark, 2009

Category scores ranked by difference from benchmark

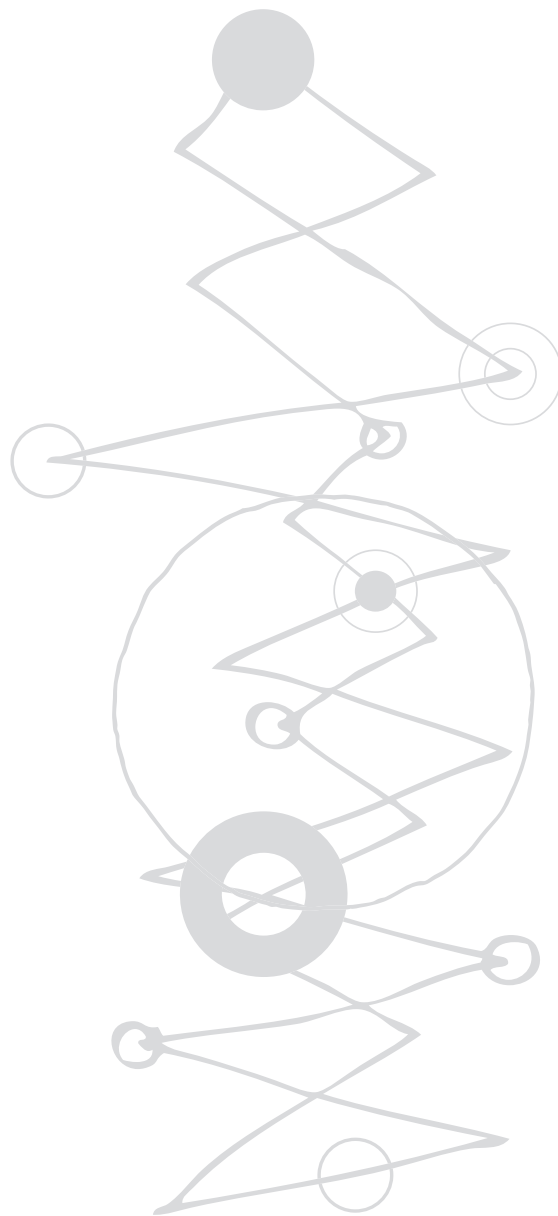


What has JTI learned from the Employee Engagement survey results?

Overall, JTI's regional leadership team and its employees drew satisfaction from the results. But everything is relative; both sides must reflect on how to strengthen the bonds that help them outperform competitors.

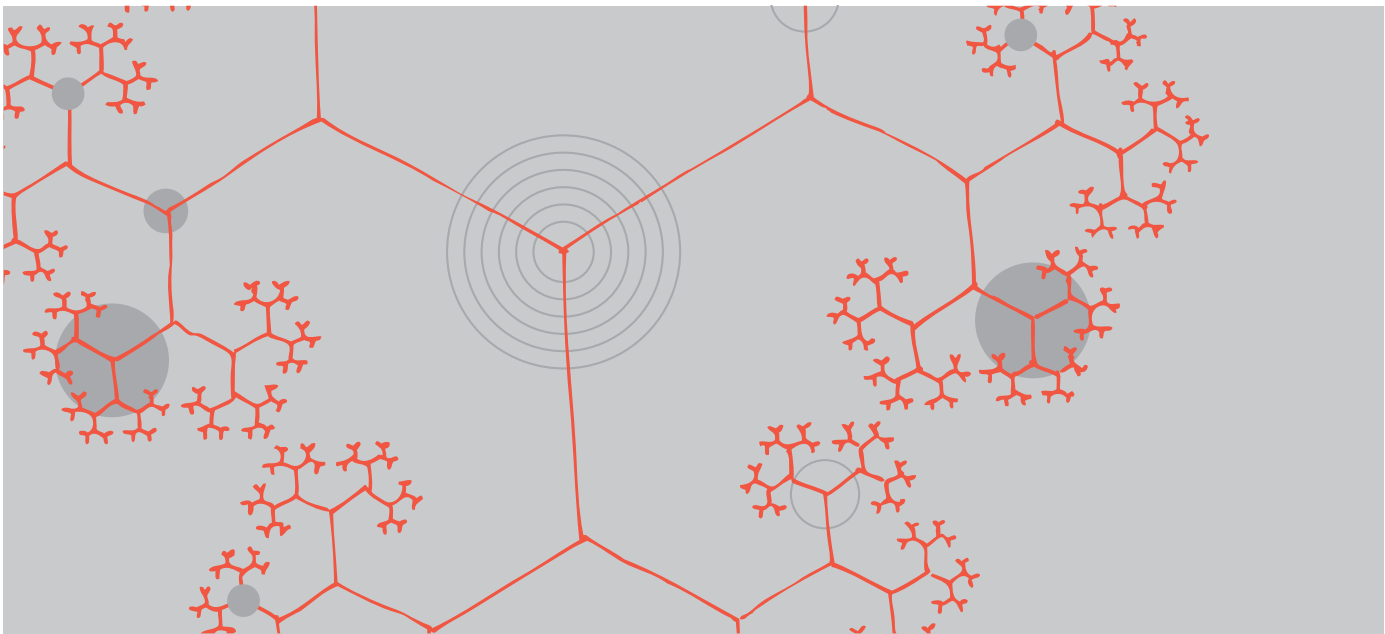
A vital first step from the management point of view was to ensure good communication to employees. Soon after the survey results were known, employees at every location received a letter from their country's general manager. The letter summarised the high-level results and also outlined follow-up actions. In some instances focus groups were organised to better understand the local reasons behind some results; in other instances concrete action plans and projects were designed. General managers encouraged employees to actively participate not only in the survey itself, but also in the follow-up process to make a difference in the organisation where they work.

The second step was action. In some cases, action was immediate; in others, the findings inform long-term planning and decision-making. All in all, by the third quarter of 2009 initiatives had begun in every market. Priorities embraced pay structures, career and skills development, openness and empowerment, corporate vision and values, and communications needs to name a few. In order to reinforce the link to the Employee Engagement survey in employees' minds, all activities implemented as a result of the survey, or which have been connected to the survey results, were labelled with the same Employee Engagement survey logo as the one used on the initial questionnaires.



“If you are not serious about taking actions based on employees' feedback, then do not run an employee engagement survey. This type of initiative has no ending; once you have engaged employees in a dialogue you have to deliver on expectations. It requires continuous efforts not only to improve in those areas where you are not strong, but also to improve in areas where you are delivering on employees' expectations. As usual the most important thing is the communication. Inform employees of what you are doing and why you are doing it, all the time; keep the dialogue.”

Martin Braddock
Regional Vice President for the CIS+ region



The third, critical, step was to absorb the learning. A retrospective look at the project suggests that both its global and local dimensions were equally important, and that the drive to better understand and improve employee engagement must come from the top. Conceptual consistency across markets was also important for comparative purposes and because the underlying ethics and principles had to apply uniformly wherever JTI does business. Therefore, one learning point was 'measure globally'. However, cultural differences and the special characteristics of individual markets can heavily influence the way employees view engagement – what motivates a factory worker in St Petersburg and a sales representative in Belgrade will differ in many respects. Ultimately however, local management must be seen to be responsible for, and accountable to, their local workforce. For this reason, another learning point was 'act locally on the survey results'.

Next steps

If it works, do more. Encouraged by what has been learned about employee engagement in 2009 in the CIS+ region, JTI has committed to check the pulse of every major market and every factory over the next twelve months and has retained Towers Watson to expand the engagement survey globally in 2010. The goal is clear: to engage employees' minds as well as hearts in order to keep on outperforming the competition.

Towers Watson and JTI will be reporting on the global survey results, world-wide action plans and lessons learnt during early 2011.

About Towers Watson

Towers Watson is a leading global professional services company that helps organisations improve performance through effective people, risk and financial management. The company's Employee Surveys practice maintains the world's largest database of workforce opinion norms by country, industry and job level, as well as global high-performing companies. We draw on our decades-long expertise in the field of employee surveys and employee engagement, bolstered by our 2007 acquisition of International Survey Research (ISR), to help clients to analyse key measures of workforce effectiveness and HR efficiency.

Further information

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