PART ONE

The general business landscape: Four key themes from our research

Theme 1: The post-recessional environment

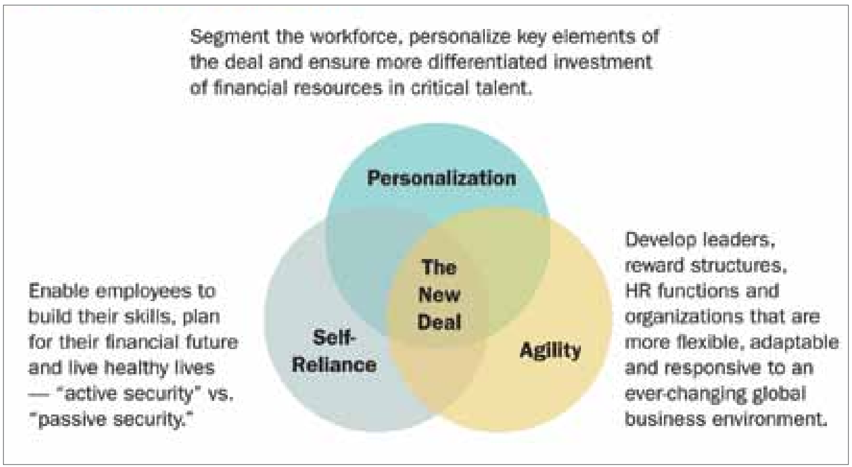
What does it mean?

In considering the notion of post-recessional recovery, companies often put laser-like focus on the financial implications of the recession for the business, and their recovery plans can center very much in that area. It is, of course, extremely important. But there are also long-term implications for the work environment that are not always highlighted with this same intensity.

These "people-related" implications can't always be smoothed out easily as we shift out of a recession and will likely re-chart the landscape of relationships between corporations, leaders and employees, and other key stakeholders: *"…a watershed moment in the evolution of the employment relationship around the world. While that relationship is far from homogenous – subject as it is to local customs, culture, regulations and the like – it is affected by a surprisingly similar set of pressures and demands worldwide. From the global recession, to financial defaults, to changes in business models, both employers and employees are being forced to revisit some fundamental assumptions about their implicit and explicit 'compact' with one another."*
Towers Watson 2010 Global Workforce Study

As the report goes on to say:

"As companies and their employees emerge together from the "Great Recession," the process of reevaluating needs and expectations will only intensify, necessitating trade-offs for both parties to the employment deal. Employers need to adopt new and creative practices to balance effective cost and risk management with enhanced employee retention and engagement. Employees will likely view careers, skill building and mobility very differently from how they did in the past."



Building blocks for a New Deal (Towers Watson 2010 Global Workforce Study)

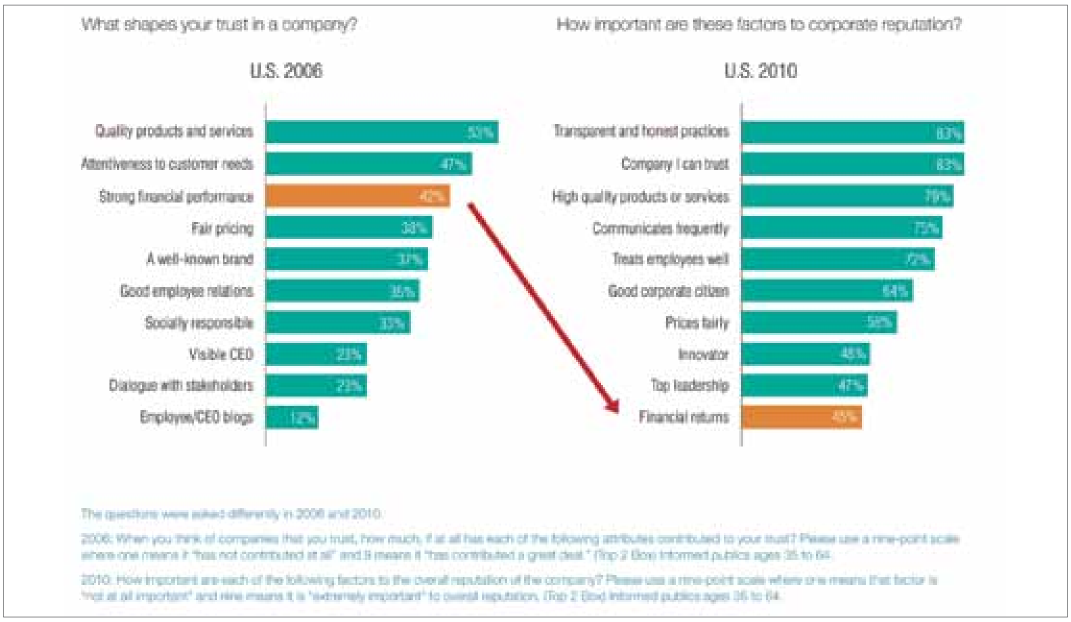
Most of the elements of this "New Deal" are addressed in the chapters of this report (see "Building blocks for a New Deal", page 9). Within the boundaries of the post-recessional environment, though, we're talking about two key themes – Rebuilding trust in the organization, and the Employee Value Proposition (EVP).

Rebuilding trust in the organization

In the Executive Summary of the Edelman Trust Barometer 2010 report, president and CEO Richard Edelman states that *"Trust has emerged as a new line of business – one to be developed and delivered. Companies that embrace the new reality, where the interests of all stakeholders must be considered equally, will see their credibility rise accordingly. Now is the time for companies and CEOs to deliver performance, communicate frequently and honestly, and consider the role of business in society. Now is the time for business to prove its commitment to profit and purpose."*

But what is trust? And what shapes it? According to that same report (from a US perspective that is arguably applicable globally) Edelman outlines the chart below to illustrate what shapes trust in a company and how that perception shapes corporate reputation, contrasting 2006 to 2010 with some fascinating changes.

Perhaps most striking is the significant fall in the impact of financial performance as a key driver – something that is also reflected in research relating to employee perceptions on trust. One paper – from the US National Bureau of Economic Research – suggests that even a 10% increase in employee trust in management has the same effect on general levels of satisfaction as a 36% increase in monetary reward (Helliwell, Huang and Putnam, 2009).



In 2010, financial performance least important to corporate reputation (Edelman Trust Barometer 2010)

That data point also serves to illustrate that this isn't just about rebuilding trust in the organization – it's also about trust in senior leadership and managers – the people who we might call the "faces" of the organization. A lack of trust in the corporate entity and its representatives isn't a new notion. It's something that businesses have been tackling for many years but – as a result of the recession – the battle is now a harder one to win.

As industrial sociologist Alan Fox says, *"Without trust, conflict is accentuated and legitimacy is undermined. The difficult task of rebuilding the post recession economy will surely turn on how successfully trust can be strengthened in the workplace."*

One key element of trust is a strategic narrative that enables stakeholders to understand where the business is going and their place in (and impact on) that journey – and what it means for them and the future of the organization. It's also about transparency and sustainability, which we'll address in our later chapter on Corporate structure and management style.

The Work Foundation recently commissioned a number of papers outlining the potential implications of the recent recession in the area of trust among other issues – and that gets to this issue of painting a picture of the strategy that everyone can understand and embrace as a means of trust and security:

" The danger of redundancy, freezes on pay and bonuses, and the damage to workplace morale that follows (recession), pose significant challenges to all organizations. Initially of course, fear is a great motivator. However, fear also breeds distrust, anxiety and stress – all of which serve to inhibit employee performance. Without a coherent motivational strategy in these most testing of times, employers risk not only the debilitating affects of greater job insecurity, but also the likely

High-trust workplaces: deliberation in practice

SEMCO
Perhaps the most famous (and for some, a rather extreme) example of a high-trust workplace is that of SEMCO in Sao Paulo, Brazil, where Ricardo Semler is the "nominal" CEO. Here, there is no official organizational structure and no monitoring of workers. SEMCO has increased its annual revenue from $35 million a year in 1994 to $212 million in 2003, and done so without a human resources department or any official strategy documents. All decisions are made by employees; who hire, fire and set their own salaries. Employees are trained in how to understand the company books, and meetings are voluntary and open to all. In these meetings, there is dissent and deliberation and decisions are made by a simple show of hands.

General Electric
At its plant in North Carolina, GE has stripped out all middle managers and controllers. Here, the production teams are autonomous and responsible for operational and strategic decisions. North Carolina is now GE's top performing plant. Once again, production teams work deliberatively and collectively.

Google
With extraordinary success, Google has sought to flatten its hierarchies, limit managerial control procedures and promote creativity among its employees. With 20% of their time allocated to "experiment with new ideas", employees are encouraged to deliberate openly with managers and argue the case for their innovations.

Source: The Work Foundation: ***Smoke, mirrors and the employment relationship*** *disengagement of employees whose commitment will waver if their prospects are unsure… This undoubtedly contributed to the persistence of workplace insecurity after the recession of the early 1990s, and is likely to have a similar impact on the workforce this time round.*

The Work Foundation: Smoke, mirrors and the employment relationship

But, again, this isn't just about the overall company. Central to this are the leaders and managers who will need to tell the strategic narrative, embody it, make it real for their people – and ultimately, make it happen. Companies need to be able to trust their leaders and managers to do that. Leaders and managers need to trust the company to support them in that effort. Employees need to know they can trust their leaders and managers to tell them the truth, to help them achieve their goals, to provide the bigger picture.

As Nigel Edwards, communication director and lead for Pfizer Primary care in Europe and Canada puts it:

"It's inevitable that so many changes over a short space of time will impact on trust. I think organizations haven't helped themselves in the way they've equipped leaders and managers further down the organization – as covered in previous Melcrum studies – and I think that's an example of how we reduce the level of trust. By not equipping leaders and managers with a clear vision of the future – that has eroded trust… If you couple strategy that has longevity with capable, authentic leaders you've got a fighting chance to build trust in this post-recession environment. Leaders and managers can develop it, but it's also something in their make-up so there are implications for who gets promoted into managerial positions."

Again, having leaders and managers capable of engendering this kind of trust and engagement isn't a new concern for businesses. But, in the post-recessionary environment, the heat is on! We've all seen much data that talks about the impact of managers on employee performance and trust in the business (a small compendium of which is outlined on page 14 as a useful reminder and tool to support your own internal discussions around this issue). But, as reflected in Edwards' comments and much of the research we've explored in this project, the behavior of leaders and managers will have a major impact on the trust we need to establish across the next few years in order to do business.

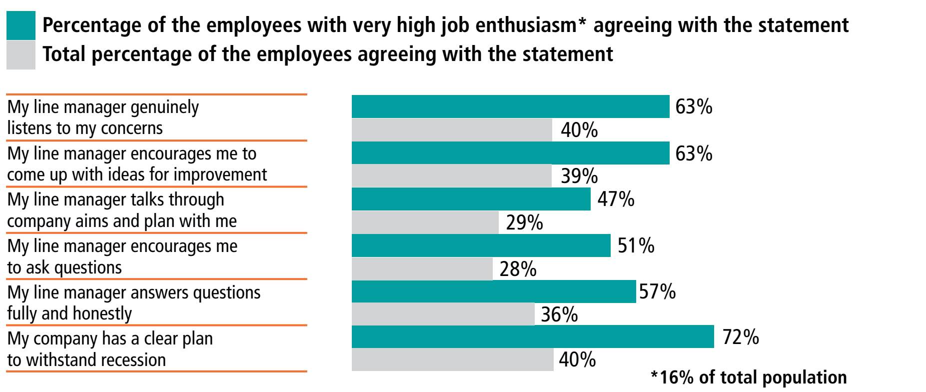
Industrial sociologist Alan Fox charts out the behavioral change that needs to happen, focusing on the dynamics generally in the control of leaders and managers and how that control needs to change to develop the trust-based relationships that can take our organizations forward in the post-recession environment (see the chart on page 14)[3].

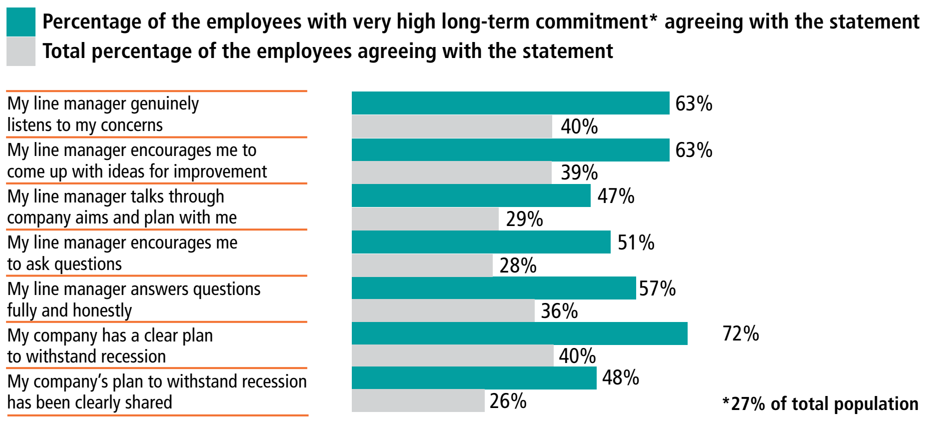
3. S. Jagd (2009) ***"Designing High-Trust Organizations"***, Paper prepared for the Workshop on Information and Organizational Design, Brussels, April 20-21.

Data points highlighting the impact of managers and trust on engagement and performance

*Source: **Engaging Employees Through Communication**, a report from Threshold Communications*

- Amongst those employees who strongly disagree that they are committed to the company's long-term success, four out of five (79%) maintain that their company's plans have not been shared with them.
- More generally, but equally importantly in the long term, less than one third (29%) of surveyed employees feel that their line manager takes the time to talk through company plans and aims with them.
- Of those who strongly agree with the statement "my company has a clear plan to withstand recession and has been clearly shared with them", 75% have high job enthusiasm while amongst those who strongly disagree with the statement only 24% have high job enthusiasm.
- Of those who strongly agree with the statement "My company's plans and aims... have been shared" 87% feel committed to the long-term success of the company they work for. This falls to less than half (43%) for those who strongly disagree with the statement.





This research was carried out by YouGov on behalf of Threshold Communications, the Employee Engagement specialists. Fieldwork took place in January and March 2009. The total sample size of full-time employees was 1,913 adults. The figures are weighted and representative of all GB adults (18+).

From low-trust to high-trust dynamic (Alan Fox)

	Low-Trust Dynamics Control-Based Management	**Design problem**	**High-Trust Dynamics Trust-Based Management**
Degree of shared goals & values	Leaders behave as if employees cannot be trusted & that they do not share organizational goals & values	→	Leaders behave as if employees can be trusted & have commitment to organizations goals & values
Supervisory pattern & control	Close supervision & bureaucratic rules generate a mutually reinforcing circle, leading to declining mutual trust	→	Self-discipline is achieved informally through pressures that colleagues exert upon one another
Coordination of activities	Imposed & standardized coordination calls for restricted interaction & communication patterns between lower & higher ranks	→	Coordination by mutual adjustment, involving transmission of new information, & involving communication across hierarchical lines
Response to failures & inadequacies of performance	Failures are regarded as die to careless indifference to job rules, calling for more rules, punishment, or intensification of supervision	→	Failures & inadequacies are regarding as due to substandard exercising of discretion & as an occasion for learning
Model for handling conflicts	Conflict is handled on a group basis through a bargaining process due to perceived lack of consensus on goals	→	Since the assumption is that goals are shared, conflicts are handled by either the model of 'problem solving', or that of persuasion

Source: Jagd, 2009

There really is the potential need for dramatic behavioral change in leaders and managers here, depending on the existing culture and approach of your business. Companies would do well to take this chart and put it center of discussions with stakeholders who are concerned about trust and the impact on engagement and performance across the business. We'll discuss later the ability of internal comms to support this – both in terms of facilitating (and contributing to) those discussions, and in providing support, training and tools to enable leaders and managers to make the shift. But there will unquestionably be more pressure on leaders and managers to exemplify trust. Here's how one company, Volvo Group, thinks about this with regard to the very top of their organization – the CEO:

"I think this is what our CEO has been doing when he's been speaking frankly about the crisis, and about how difficult it was – I think he has been very honest and realistic and transparent. If I look at his columns written for our company newsletter during the crisis

you will find there is a recurring theme of being realistic about what the new work rules are and what the EVP is.

"[Human resources consultancy] Kenexa's research about engagement and workforce issues points out that there is a high consistency among the driving factors, but there is also a substantial shift in the aftermath of the crisis. Before the global financial crisis one of the key drivers was "confidence in senior management" – across more than 20 countries the confidence factor was a crucial driver for engagement. Now that has shifted to 'leadership has communicated a vision for the future that is motivating me'.

"It's so easy for us to say it's all about how senior management communicate but it's beyond that. This research is saying: you managed to take us through this crisis, now what's your plan and vision for the future? Is there something that motivates me and gives me confidence that the company will continue to exist? That is going to be crucial."
Charlie Nordblom, Vice President, Strategic Internal Communications, AB Volvo Group

These comments really highlight that notion of a strong strategic narrative for everyone, but also emphasize that the channel for that will often be our senior leaders and managers.

As Lowell Bryan, a director at McKinsey & Co., wrote in his article ***Dynamic management: Better decisions in uncertain times (McKinsey Quarterly, Dec 2009):***

"The knowledge, skill, and experience of these [top] leaders make them better suited than anyone else to act decisively when the time is right. Such executives are also well placed to build the organizational capabilities needed to surface critical issues early and then use the extra lead time to gather intelligence, to conduct the needed analyses, and to debate their implications."

Again, as will be discussed later in this chapter, internal comms is uniquely positioned to help support these efforts. And arguably one of the outputs of such leader-focused activity will be a clearer understanding of the EVP – the Employee Value Proposition.

Re-engineering EVP (the Employee Value Proposition)

Jim Shaffer of the Jim Shaffer Group helped develop EVP intellectual capital during his time at Towers Perrin in the 1980s and 1990s. In our interview with him[4], he defines EVP as *"a partnership agreement… the deal between an organization and its people.*

4. The full interview with Jim Shaffer is available on the Research Forum website in the section dedicated to this study. Please go to: www.scrforum.com/

The typical EVP process steps

Step 1. Define the EVP and why it is important for the organization and employee.

Step 2. Create guiding principles and a framework by drawing on the business strategy. For example:

Business strategy	...which means we need to...	...therefore the EVP must address...
Reduce the cost per unit sold and improve synergies among business units	Become more efficient	Flexibility in work practices, effective teamwork, mutual respect and trust across business units
Improve the ease of doing business and prepare customers for an evolution in our systems	Become more customer focused	Customer knowledge, understanding and agility in our response to customers

Step 3. Formalize the EVP to establish organizational and employee expectations of each other. Operationalize it to show how specific elements tie to actual programs, systems and processes that address each element. "When we say this... it means we must do this..."

Step 4. Operationalize the standards by aligning the "say" and "do". Institutionalizing these standards is driven by a communication process across geographies, cultures and work groups.

Shaffer goes on to say that the EVP should be created or refined by balancing results – long-term business results and increased shareholder value – with the ability to attract, motivate and keep the people who will create those results. So it's very much a "two-way street" – the value proposition for employer and employee is central to its content. In light of this, perhaps we should actually refer to it as the ***Employment*** Value Proposition – particularly in the post-recessionary environment where flexibility and security for both companies and their people is equally important. The notion of a two-way deal is implicit in the EVP-development steps that Shaffer shared with us, outlined above in the hopes that readers will use this framework to revisit, or redevelop, their EVP.

The best of EVPs, then, not only outlines the value proposition of the relationship between employer and employee – it also links that relationship (and its output) to the strategy of the business, and illustrates it with clear guidelines around what the EVP looks like "in action". And those illustrations – indeed, certain elements of the EVP itself – will no longer be able to follow a "one size fits all" model (a theme to be revisited in our chapter on The diversifying workforce).

Nonetheless, one fact that can apply across the board is that both employers and employees are looking for some degree of security in the post-recessionary environment

– our risk-aversion has increased as a result of the shaky couple of years we've all experienced. So any EVP should have some degree of flexibility to allow us to deal with any kind of future scenario – another recession or "double dip", a change in corporate strategy or direction, the diversifying workforce (to be explored in a later chapter), etc.

All of these factors mean that there has to be some "give" in how we think about EVP (and trust, for that matter) and how we protect ourselves – as organizations, as leaders, as employers, as employees, as stakeholders. And that has given rise to a new term, outlined in a number of the studies and conversations we explored as part of our Forum research: "Flexicurity". The box below shows how The Work Foundation defines this concept.

Although this definition refers to Europe, our conversations at a global level suggest that much of this will need to be considered by organizations doing business in all other parts of the world – though perhaps first by those with any presence in Europe. It's certainly food for thought for businesses in any industry or geography trying to develop that EVP and strategic narrative – the vision of the future – for their organization. And should you be asked what's behind this new concept, perhaps the following comments from

Flexicurity: embedding security and flexibility in the labor market

Now at the heart of the debate about social protection in Europe, flexicurity aims to enhance flexibility for employers and security for workers though labor market reform and employment policies. Central to the model is the idea that ease of hire and fire must be matched by high benefits and investment in active labor market programs to equip the unemployed with the skills they need to find work in a rapidly changing economy. This approach is well established in Denmark and has contributed to high levels of growth and employment over the last decade. Ton Wilthagen, an expert on flexicurity and welfare reform in Europe, has identified the following as components of a flexicurity framework:

- Flexible and secure contractual arrangements and work organizations, both from the perspective of the employer and the employee, through modern labor laws and modern work organizations.
- Effective active labor market policies (which effectively help people to cope with rapid change, unemployment spells, reintegration and, importantly, transitions to new jobs – ie the element of transition security.
- Reliable and responsive lifelong learning (LLL) systems to ensure the continuous adaptability and employability of all workers, and to enable firms to keep up productivity levels.
- Modern social security systems which provide adequate income support and facilitate labor market mobility. They will include provisions to help people combine work with private and family responsibilities, such as childcare.
- As a crucial precondition for developing flexicurity and making it work: a supportive and productive social dialogue, mutual trust and highly developed industrial relations.

Source: The Work Foundation and Auer, 2007

Kathryn Yates, global leader of Towers Watson's Communication & Change Management Practice – provides some clarity here:

"Our research showed us that over the last couple of years the attitude of employees has been impacted by the downturn in the economy. They hunker down a bit. They're more interested than they were in security and less willing to take risks. You can extrapolate therefore that there are quite a few employees who might have looked for opportunity elsewhere who haven't. Their possible lack of motivation and engagement is an enormous issue for an organization that's trying to battle it's way out of the economic downturn and take advantage of opportunities in the marketplace. Every company I know is implementing change and that is much more difficult when an employee population is not engaged and motivated and is risk-averse."

So again, that concept of "flexicurity" mattering on both sides of the table – for employees and employers – comes to the fore.

Interestingly, not all companies are considering the EVP angle at this point in time. According to Towers Watson's 2009/2010 US ***Strategic Rewards*** report, as outlined in the excerpt on the left.

Differing perspectives about the EVP

We also found a fundamental disconnect between employees and employers on the presence of a clearly de!ned EVP. Most companies do not feel they have a clearly de!ned EVP or that the changes they have made have signi!cantly altered it. In their view, they will simply reinstate some of the programs they have cut in the past year to save money, and things will not have changed much.

Employees, however, are much more likely to see their company's employment deal as having been altered substantially and perhaps permanently over the past 12 months. This is a call to action for companies to revisit and re-communicate their EVP to manage employee expectations going forward. If companies don't take action, they risk losing high performers and the ability to effectively engage their workforce.

Source: Towers Watson's 2009/2010 US ***Strategic Rewards*** *report*

Many companies haven't looked at EVP yet. But the majority of sources we consulted in the process of our research strongly suggest that that will have to change if we are to sustain growth (and economic recovery post-recession) across the next three to five years and beyond. As Towers Watson observe in their 2009/2010 Communication ROI report ***Capitalizing on Effective Communication: How Courage, Innovation and Discipline Drive Business Results in Challenging Times***:

"During challenging economic times and amidst changing market conditions, many companies take steps to control costs and protect the business. These often include modifying, eliminating or drastically altering their employee programs or the way work is organized. Reducing staff, freezing salaries, suspending company contributions to retirement savings programs, shifting more benefit costs to the employee, mandating furloughs, adding responsibilities – all of these changes affect employees personally. When employees perceive

that the EVP is changing, you have an opportunity to re-align your employees with the direction of the organization and to re-engage the talent you have."

In her recent article in Melcrum's ***Strategic Communication Management*** journal (reproduced on pages 73–76 of this report), Kathryn Yates, global leader of Towers Watson's Communication & Change Management Practice, goes on to state that *"Right now, organizations are presented with an opportunity. Whenever there are benefit changes or other business modifications, employees are thirsty for information. It's a teachable moment… Put simply, when an organization's employees know what their deal is, they're more likely to be engaged and productive – even when the deal could be perceived as less valuable. Communicating the EVP effectively helps companies get the most out of their investment in talent, compensation and benefit programs. It promotes attraction and retention during a time when every productive employee is asked to do more with less."*

As we will discuss later in the next section of this report, is this an opportunity for internal comms to lead the charge?