Employee Engagement – A Way Forward To Productivity

14 July 2009

Dr. Jens Ballendowitsch
Towers Perrin-ISR
**Towers Perrin-ISR provides insight on people’s attitudes, opinions, and preferences to inform workforce strategies**

<table>
<thead>
<tr>
<th><strong>Relationship</strong></th>
<th>Long-lasting, trusted advisor relationships where we provide the right insights and flexible solutions against client business needs</th>
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<tbody>
<tr>
<td><strong>Thought leadership</strong></td>
<td>Ongoing research on business-relevant human capital issues like employee engagement, leadership alignment and linkage to organizational performance</td>
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<tr>
<td><strong>Global research experience and reach</strong></td>
<td>Offices on six continents; more than 5000 global consultants; over 40 million employees surveyed from over 3,000 companies in more than 100 countries</td>
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<td><strong>Global benchmarks</strong></td>
<td>Unrivalled global norms that provide global geographic, industry, position and high-performance norms</td>
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<td><strong>Action-oriented analytics</strong></td>
<td>Driver analysis, Linkage and Optimization analyses that identify ROI and prioritize specific interventions</td>
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<td><strong>Technology to move from insights to action</strong></td>
<td>Web-based technology that provides efficient, user-friendly and integrated survey development, administration, reporting, and action-planning solutions</td>
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<tr>
<td><strong>Change interventions and integrated solutions</strong></td>
<td>Best-in-class workforce effectiveness, compensation, benefits, communications, change management and organizational effectiveness consulting capabilities</td>
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</table>
Towers Perrin-ISR’s services and capabilities

- Employee engagement surveys
- Leadership effectiveness surveys
- Conjoint surveys & Total Rewards Optimization
- Customer engagement surveys
- Culture transformation/ Human Capital due diligence M&A surveys
- Interviews and focus group research
- Outcomes linkage research
- On-line survey administration, reporting and action planning capabilities
- Change management and workforce effectiveness solutions
- Special focus surveys measuring:
  - Organisational values
  - Strategy alignment
  - Diversity & inclusion
  - Rewards/Benefits effectiveness
  - Communication effectiveness
  - HR Constituent satisfaction
  - IT/internal customer satisfaction
  - Expatriate adjustment
  - Safety culture/Process safety
  - Innovation culture
  - Ethical culture
  - High potential engagement
  - Union vulnerability
  - Health care consumerism
Long-term relationship in research and cooperation between clients and Towers Perrin-ISR
Employee Engagement
– A Way Forward To Productivity

- The Background
- What is Employee Engagement?
- Why is it important?
- What is the level of Employee Engagement globally and in Malaysia
- What drives Employee Engagement
- What might be the impact of the economic crisis on Employee Engagement
- What can be done?
- Summary
Context and insights for times of economic uncertainty

Business Context:
1. Global credit crunch
2. Consolidation and downsizing
3. Expense management (e.g., offshoring)
4. Increased pressure for efficiency / productivity

Work Environment Context:
1. Staff reduction
2. Pay freezes, benefit
3. Human capital optimisation (e.g. changing job roles)
4. Changing strategy / direction at the top

Potential Impact on Human Capital
1. Increasing concern over job security & compensation
2. Lack of clarity around job responsibilities & goals
3. Lack of clarity around company strategy & goals
4. Eroding image of external brand
5. The potential for reduced employee engagement, well-being & morale

From a HC perspective, this change adaptation is best achieved through:
- Focus on employee engagement
- Maintaining leadership performance
- Driving a learning and development environment, and
- Rewarding staff through appropriate total rewards approach
Impact on the workforce will be significant: Turnover and normal retirements are expected to decline...

**Hiring Plans Under Review**
Microsoft is reviewing its hiring plans amid the economic uncertainty, but denied a report that it has instituted a companywide hiring freeze.
— CNET News, October 2008

**Employee Engagement**
Employee engagement: more crucial now than ever
— Business Week, 16th January 2009

**Selective Reduction on Bonuses and Pay**
Toyota will eliminate executive bonuses and trim some executive salaries, while bonuses for production workers will be reduced.
— CNN Money, 13 February 2009

**Talent Shortages Even in the Current Market**
24% of HR professionals reported open positions that they cannot fill.
— Career Builder/USA Today, September 2008 survey
(3,000 hiring managers)
Employee engagement can not be worked on directly; it is an outcome or the result of doing other things well, particularly Leadership & Culture

- For an organisation to maximise business performance, there must be:
  - Effective leadership capability across organisation levels
  - A culture that is aligned to, or supports execution of, the strategy
  - Engaged employees whose contribution is maximised
What do we mean by Engagement?
Towers Perrin-ISR’s Engagement Concept

To be fully engaged, employees must have:

- **Rational** understanding of the organisation's strategic goals, values, and how employees fit *(Think)*
- **Emotional** attachment to the organisation *(Feel)*
- **Motivation** and willingness to invest discretionary effort to go above and beyond *(Act)*

The degree to which employee’s think, feel and act in line with company goals. Includes the extend to which employees go the extra mile in their work in the form of discretionary effort, creativity and energy.
Why engagement matters: It drives performance

A 12-month study across 50 global companies

Impact of Employee Engagement on Financial Performance

Impact of Engagement on Business Performance

A 3-year study across 40 global companies

Source: Towers Perrin-ISR research
Why Focus on Engagement?
It Impacts Many Critical Business Outcomes...

Engaging and retaining Top Talent is critical for gaining competitive advantage

Source: Towers Perrin_ISR Case Study
Global Workforce Study 2007 - 2008:
Malaysia Workforce – Findings - Employee Engagement Levels

Malaysia 2007
- Engaged: 29%
- Enrolled: 24%
- Disenchanted: 22%
- Disengaged: 6%

Global 2007
- Engaged: 21%
- Enrolled: 41%
- Disenchanted: 30%
- Disengaged: 8%

Source: Towers Perrin Global Workforce Study 2007-2008 — Malaysia & Global
## Overview of The 3 Sets of Drivers

Career development and growth opportunities are important

<table>
<thead>
<tr>
<th>Top Attraction Drivers</th>
<th>Top Retention Drivers</th>
<th>Top Engagement Drivers</th>
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</thead>
<tbody>
<tr>
<td>1. Opportunities to advance my career</td>
<td>Have excellent career advancement opportunities</td>
<td>Have excellent career advancement opportunities</td>
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<tr>
<td>2. Competitive base pay</td>
<td>Feelings about senior management</td>
<td>Organization’s reputation as socially responsible</td>
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<tr>
<td>3. Opportunities to learn new skills</td>
<td>Have adequate training to do job well</td>
<td>Senior management takes steps to ensure long-term success</td>
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<td>4. Convenient work location</td>
<td>Organization’s reputation as a great place to work</td>
<td>Can impact quality of work/ product/ service</td>
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<td>5. Competitive benefits (other than retirement or health care)</td>
<td>Have adequate training to prepare for work</td>
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<td>6. Flexible schedule</td>
<td></td>
<td>Organization acts quickly to resolve customer concerns</td>
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<td>7. Reasonable workload</td>
<td></td>
<td>Immediate manager understands what motivates me</td>
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<tr>
<td>8. Organization’s reputation as a great place to work</td>
<td></td>
<td>Sets high standards for self</td>
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<td>9. Innovative environment</td>
<td></td>
<td>Can impact cost</td>
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<td>10. Short-term incentives (e.g. annual bonus)</td>
<td></td>
<td>Organization’s reputation as a great place to work</td>
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</table>

The common themes that appear as drivers for each area are highlighted – career advancement and organization reputation

Source: Towers Perrin Global Workforce Study 2007-2008 — Malaysia
What happens in times of economic uncertainty?...
Disengagement typically occurs as a result of uncertainty

Drivers of Engagement in Q4 environments

Key drivers of Engagement examined for 14 companies surveyed in Q4 2008. At the category level, drivers are very consistent with what we typically see in non-transitioning environments.

<table>
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<th>Category</th>
<th>Percentage</th>
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<tr>
<td>Leadership</td>
<td>100%</td>
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<tr>
<td>Learning &amp; Development</td>
<td>64%</td>
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<tr>
<td>Image</td>
<td>29%</td>
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<tr>
<td>Empowerment</td>
<td>21%</td>
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<tr>
<td>Compensation &amp; Benefits</td>
<td>14%</td>
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<td>Customer Focus</td>
<td>14%</td>
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<td>Quality</td>
<td>14%</td>
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<td>Performance Appraisal</td>
<td>14%</td>
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<td>Working Relationships</td>
<td>7%</td>
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<tr>
<td>Operating Efficiency</td>
<td>7%</td>
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Percentages indicate how often each category emerged as a top engagement driver (i.e., Leadership was a top driver in all 14 organizations, 100%). Top-10 most frequent drivers shown.
Implications: Top Three Recommendations for Leadership

- Keep focusing on employee engagement
- Promote and be an advocate of employee engagement
- Know your employees and grow them
- Keep vision and strategy loud and clear.
- Align and maintain line of sight
- Don’t lose sight of the basics
Thank you for your attention

For more information, please contact:

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Towers Perrin is a global professional services firm that helps organisations around the world optimise performance through effective people, risk and financial management.

Our HR Services business provides global human resource consulting and related services that help our clients effectively manage their investment in people. Our areas of focus include:

**Operational and Financial Effectiveness:** Creating an efficient and cost-effective financial, governance and administrative infrastructure for people programmes.

**Total Rewards Effectiveness:** Identifying the optimal investment in, and mix of, pay, benefits and other rewards to attract, retain and engage employees, and designing programmes that deliver value for cost.

**Human Resource Function Effectiveness:** Understanding the role, structure and capability of the HR function in delivering the right environment and rewards, and the delivery mechanisms best suited for the company and its needs.

**Workforce Effectiveness:** Defining the people and skills you need – and when and where you need them – and the culture and environment required to sustain high performance.

We approach all our work from a single perspective: Does it help deliver measurable business results to your organisation?

Establishing a link from HR programmes, to employee behaviour, to business results guides everything we do – from helping companies manage people costs and risk, to enhancing employee and organisational performance, to delivering HR services more efficiently, to managing small- and large-scale change, particularly in a merger, acquisition or divestiture.
Towers Perrin is a leading global Human Capital consulting firm

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<td>▪ Rewards effectiveness – executive &amp; employee compensation</td>
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<td>▪ Benefit programme effectiveness — retirement and health and welfare</td>
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<td>▪ HR function design, service delivery and technology</td>
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<td>▪ Employee communication</td>
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<tr>
<td>▪ Employee research</td>
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<td>▪ Customer Engagement</td>
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<td>▪ Change management</td>
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<td>▪ Financial reporting and management</td>
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<td>▪ Financial modeling software solutions</td>
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<tr>
<td>▪ Mergers and acquisitions</td>
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<tr>
<td>▪ Pension and retirement risks</td>
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<tr>
<td>▪ Product and market strategies</td>
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<tr>
<td>▪ Reinsurance intermediary and analytical services</td>
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Our Malaysian Office has experience in ...

- Executive & Long Term Incentive Compensation, Corporate Governance
- Broad Based Compensation, Job Evaluation & Career Maps
- Performance Management
- Annual Incentive Design
- Business Performance Management
- Organization Development and Design
- Talent, Career Management, Leadership Support
- Workforce Effectiveness
- Change Management
- Competency and Competency-based Application Design
- Employee Research and Employee Engagement
- Assessment Center Design and Process
- Employee Communication
- Mergers and Acquisitions
- Human Resources Delivery and Organization
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