



Capitalizing on Effective Communication

How Courage, Innovation and Discipline Drive

Business Results in Challenging Times

2009/2010

Communication ROI Study Report

Originally published by Watson Wyatt Worldwide

2009/2010

Communication ROI Study Report



At a Glance

Communicating with employees helps boost engagement during tough times.

Many companies aren't explaining to workers how the employment deal has changed in response to challenging economic times.

To best position themselves to succeed in an uncertain future, employers need internal communication programs that are courageous, innovative and disciplined.

Table of Contents

Executive Summary	2
Key Findings	2
Introduction	3
About the Participants	4
Have courage.	5
Innovate.	9
Be disciplined.	14
Conclusion	17

Featured Figures

Figure 5. Few companies are taking the opportunity to revise their employee value proposition	6
Figure 9. Highly effective communicators help managers address employee needs and concerns	8
Figure 17. Highly effective communicators are using social media more often to reach all employee audiences	12
Figure 21. Phase at which communication function became involved in the change process	14
Figure 22. High-effectiveness companies are more likely to have a documented strategy	14

Executive Summary

Companies that communicate with courage, innovation and discipline, especially during times of economic challenge and change, are more effective at engaging employees and achieving desired business results. Our research has consistently found the firms that communicate effectively with employees are also the best financial performers.

When it comes to communication, successful companies pay close attention to articulating their employee value proposition. In times of change, they use social media and other, time-tested tools to communicate with an increasingly diverse and dispersed audience. These companies treat their managers as a special audience — offering additional communication and training to help them manage. They focus on the customer and use communication programs to drive productivity, quality and safety.

This report summarizes the findings of our 2009/2010 multiregional study. It identifies what the companies with highly effective communication practices are doing to inform and engage their employees in challenging economic times, and shows how these practices vary around the world.

Key Findings

Effective employee communication is a leading indicator of financial performance and a driver of employee engagement. Companies that are highly effective communicators had 47 percent higher total returns to shareholders over the last five years compared with firms that are the least effective communicators.

Despite all of the organizational and benefit changes employers have been making in response to challenging economic conditions, only 14 percent of the survey participants are explaining the terms of the new employee value proposition (EVP) to their employees.

The best invest in helping leaders and managers communicate with employees. While only three out of 10 organizations are training managers to deal openly with resistance to change, highly effective communicators are more than three times as likely to do this as the least effective communicators.

Despite the increased use of social media, companies are still struggling to measure the return on their investment in these tools. Highly effective communicators are more likely than the least effective communicators to report their social media tools are cost-effective (37 percent vs. 14 percent).

Measurement is critical. Companies that are less-effective communicators are three times as likely as highly effective communicators to report having no formal measurements of communication effectiveness.



Introduction

Courage, innovation and discipline help drive company performance, especially during tough economic times. Employers that keep the lines of communication open are in the best position to keep employees engaged in the business, retain key talent, provide consistent value to customers and deliver superior financial performance to shareholders.

Companies that are highly effective communicators have the courage to talk about what employees want to hear, and they redefine the employment deal in light of significant take-aways. Our study found that highly effective communicators explain the rationale behind difficult business decisions, provide leadership training and actively address the impact on employees. All of these actions can help keep employees engaged.

High-performing companies are innovative. By delivering messages on customer feedback and increasing productivity, they make sure employees see how they affect the business. They make greater use of social media to reach a diverse workforce in real time than do other organizations. They understand that failing to focus on these objectives now will compromise their ability to move ahead quickly when the business environment improves.

High-performing companies are disciplined. They take the time to document their communication plans and develop metrics to assess their success and identify areas for improvement. The best tie their measures to the organization's strategic business goals and have a communication advisory group.

Communication Effectiveness

Highly effective communicators represent the top 25 percent of study participants that have the highest overall communication effectiveness scores based on their responses to the survey. Less effective communicators represent the bottom 25 percent of participants that have the lowest overall communication effectiveness scores based on their responses to the survey.

Communication and Financial Performance

Effective communication can help your organization reach the next level and emerge from economic challenges ahead of the rest. The study found the companies with highly effective communication had 47 percent higher total returns to shareholders over the five-year period (mid-2004 to mid-2009) compared with companies with less effective communication practices.

If you invested \$100 in 2004 in the companies that have less effective communication programs (bottom 25 percent), your investment would be worth \$83 today. If you had invested that same \$100 in the companies with moderately effective internal communication (middle 50 percent), it would be worth \$116 now. However, if you had invested \$100 in the companies with highly effective communication, the value of your investment would have risen to \$130.

Reading This Report

Defining the employment deal: The term “employee value proposition (EVP)” or “employment deal” broadly refers to what employees can expect from the company and what the company expects from employees. From the employee perspective, the employment deal includes pay and benefit programs, professional development opportunities and work environment.

Comparing high-effectiveness and low-effectiveness companies: The percentages shown in the figures in this report are the percentages of high-effectiveness and low-effectiveness companies that answered each question with a 4 or a 5 on the 5-point Likert

scale (agree, strongly agree) or, if it was a yes-or-no question, said they have that practice.

Assessing effectiveness and performance:

Watson Wyatt’s Research and Innovation Center measured communication effectiveness for the participating companies and then divided them into three groups based on their scores. The top quartile had high effectiveness; the middle two quartiles, moderate effectiveness; and the bottom quartile, low effectiveness. Working from these effectiveness scores, Watson Wyatt gathered financial data (where available) and measured the correlation between effective communication and financial performance.

Figure 1. Study participants by industry

Industry	Percentage
Aerospace & defense	1.8%
Automobile & transportation equipment	3.0%
Charities & nonprofit	0.3%
Communication	2.4%
Education	3.3%
Energy	8.7%
Insurance	8.7%
Financial services, excluding insurance	6.9%
Food and beverage	2.4%
Government	2.7%
Pharmaceuticals	5.4%
Health care, excluding pharmaceuticals	7.8%
High technology	4.2%
Manufacturing	11.1%
Natural resources	1.2%
Professional and business services	2.1%
Property and construction	1.2%
Retail	6.0%
Tourism and leisure	0.6%
Transportation	2.4%
Utilities	2.1%
Wholesale	1.2%
Other	14.2%

About the Participants

The 2009/2010 Communication ROI Study looks at data collected in April and May 2009, from 328 organizations that collectively represent 5 million employees in various regions around the world.

Figure 2. Study participants by number of employees

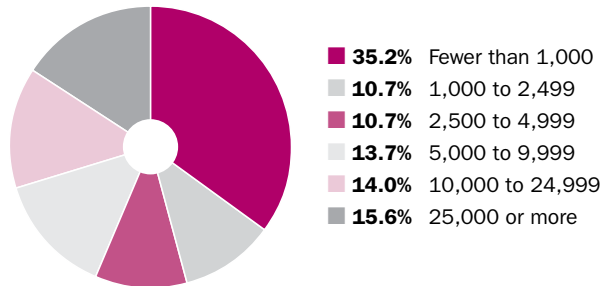
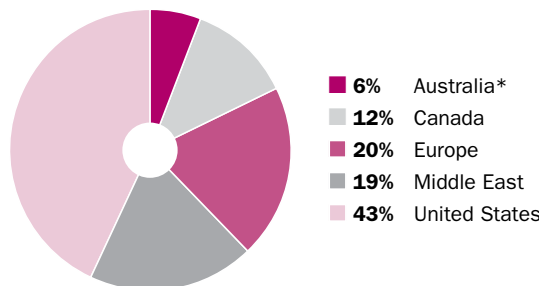


Figure 3. Study participants by region



* Includes three participants from other countries in the Asia-Pacific region

Have courage.

Communicate to employees about what matters to them — and tell it like it is.

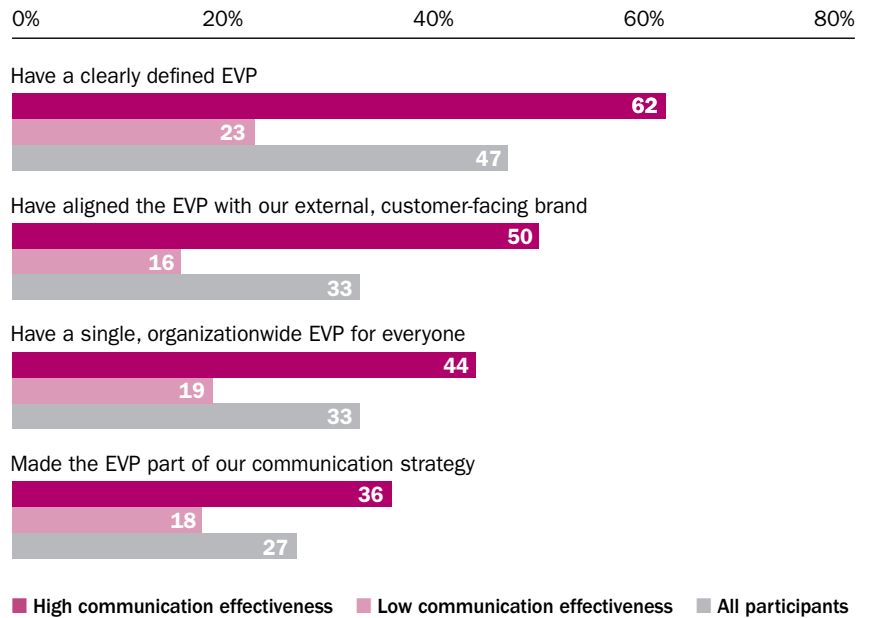
(Re-)communicate your employee value proposition.

In its simple form, the EVP or employment deal means what employees can expect from the company and what the company expects from them. Through the EVP, you can align your workforce with the mission and brand of your organization. You may also use the EVP to differentiate your organization to attract and retain talent. Communicating the EVP effectively helps companies get the most out of their investment in talent, compensation and benefit programs.

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.

Highly effective communicators do a better job of defining and communicating their EVP, although there is still a lot of room for improvement (**Figure 4**). In particular, more companies need to include the EVP message as part of their overall employee communication strategy.

Figure 4. Highly effective firms establish a coherent EVP strategy and align it to their brand



Differing Perspectives About the EVP

We also found a fundamental disconnect between employees and employers on the presence of a clearly defined EVP. Most companies do not feel they have a clearly defined EVP or that the changes they have made have significantly 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: Watson Wyatt's 2009/2010 U.S. Strategic Rewards report

Our study finds that while organizations have communicated what they are doing and the business reasons behind those decisions, only about one in seven (14 percent) are revising their EVP (**Figure 5**). And only 42 percent spend time training their managers to talk about the company's EVP. Companies should explain to employees how the employment deal has changed – and what the new deal is going forward. Doing so will help employers keep workers engaged and position the organization for success when economic conditions improve.

Talk about the new deal now.

Start now to create the company you want, as you emerge from any change. Educate your employees about the company values and culture, and take steps to integrate new employees into the organization. Make sure your managers are able to put the future vision into perspective for their employees and are in a position to reinforce the desired culture.

Only 58 percent of participants are effective at educating employees about the organizational culture and values – with only minimal differences between countries (**Figure 6**). And since you get only one chance to make a good first impression, take the time to refresh your on-boarding materials and make sure you include information on the EVP.

Figure 5. Few companies are taking the opportunity to revise their employee value proposition

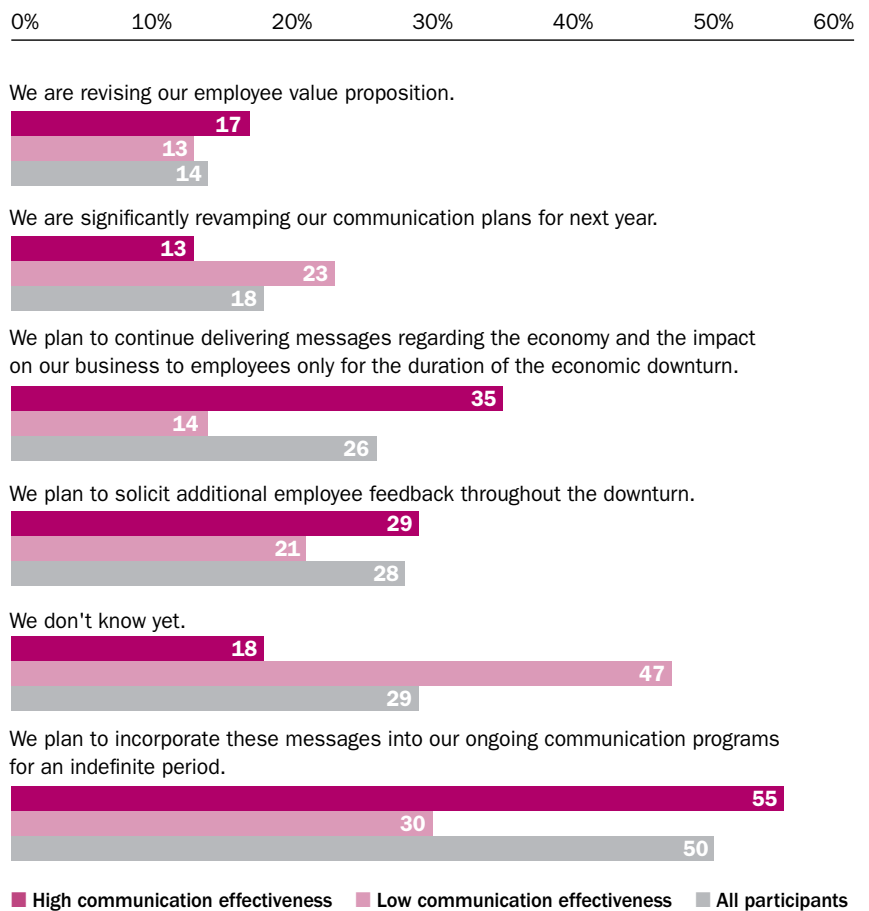


Figure 6. A little more than half of companies are effective at educating employees on company values

Percentage of organizations that report their internal communication function is effective at each aspect of communication

	All	Australia	Canada	Europe	Middle East	United States
Educating employees about organizational culture and values	58%	54%	55%	54%	52%	61%
Integrating new employees into the organization	44%	48%	55%	39%	48%	39%



Help employees appreciate what they have today.

A big part of effectively communicating your EVP is ensuring employees understand the reward programs you currently offer. High-performing companies communicate the combined value of reward programs in a comprehensive way. When communicating the total value of health- and wealth-related benefits, highly effective communicators are more than five times as likely as less-effective communicators to have a coordinated, branded approach (Figure 7). Taking such an approach increases employee appreciation of the total package, reinforces your EVP and helps retain employees through times of change.

Few employers feel employees understand the value of their compensation and benefit programs. Other Watson Wyatt research confirms that employees who understand the value of their rewards are more likely to be satisfied with them. The impact of effective communication is often bigger than the impact of additional spending for the programs themselves. When we look across the various regions, we find that less than one-half of participants provide information about the true value of their employees' total compensation package (Figure 8). There is a definite need and opportunity for improvement, if companies want to better engage their employees and build support and recognition for their EVP.

Figure 7. A coordinated, branded approach to communicating rewards helps improve employee understanding

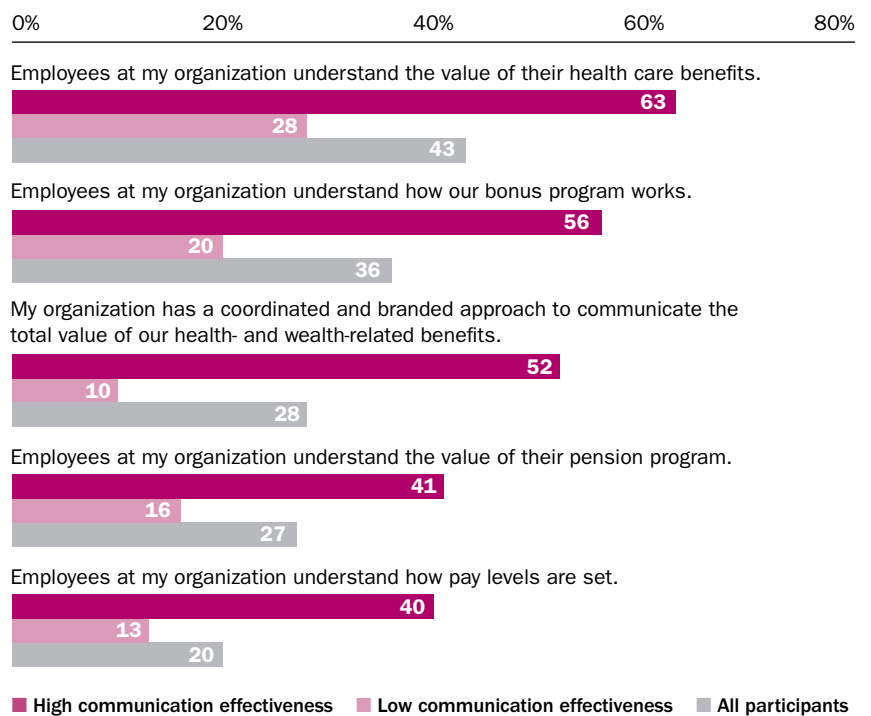


Figure 8. Most companies do not provide information on the total value of rewards

Percentage of organizations that report their internal communication function is effective at each aspect of communication

	All	Australia	Canada	Europe	Middle East	United States
Providing individuals with information about the true value of their total compensation package	45%	33%	61%	33%	50%	48%

Trust and train your leaders to talk about change.

Leaders and managers can play a critical role in helping to deliver messages and engage employees. They need to know how to lead (and communicate) with integrity through times of change.

Companies must go beyond simply providing managers with information and talking points in advance of changes. They need to prepare managers to lead employees through significant change.

Our study found that managers in high-performing organizations are much more effective at implementing change and supporting the organization's vision (**Figure 9**). About half of the highly effective communicators are going the extra step to provide management training, versus a third of the low-effectiveness communicators.

Only three out of 10 of all participants report their managers are effective at dealing openly with resistance to change, with highly effective companies more than three times as likely to do this as less-effective firms (**Figure 10**).

The results of our 2008/2009 WorkUSA survey further support the value of helping managers keep employees engaged during times of change. That study found that keeping employees engaged correlates to an average 26 percent higher productivity rate, and that highly engaged employees miss fewer days of work and are three times as likely as their less-engaged peers to exceed performance expectations.

It's important to allow managers some time to come to terms with the organizational changes on a personal level before you ask them to help employees. Then you can more reasonably expect them to communicate and endorse changes with their direct reports.

Figure 9. Highly effective communicators help managers address employee needs and concerns

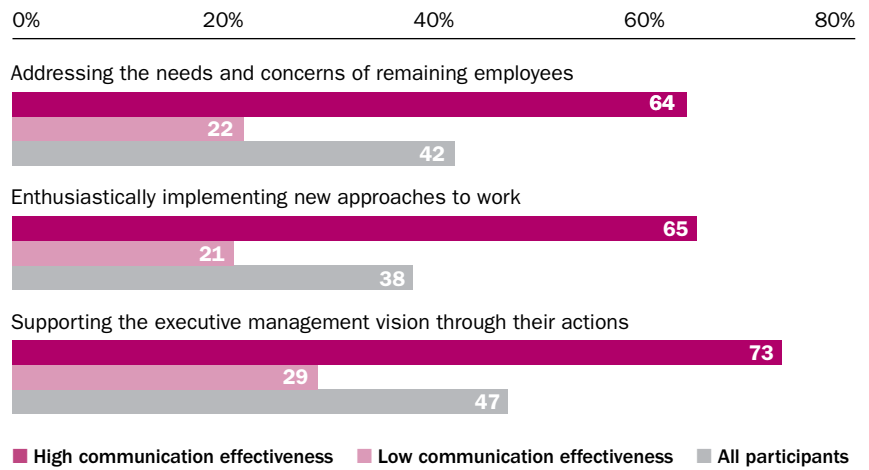
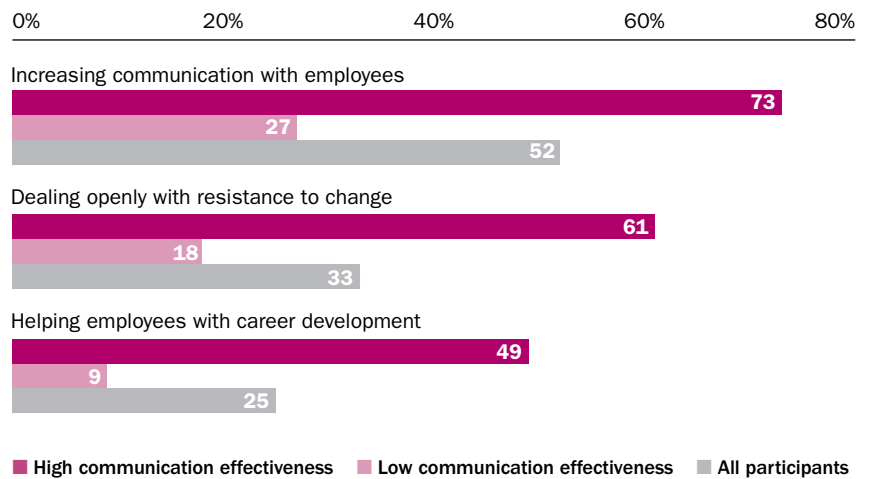


Figure 10. Managers in high-effectiveness companies increase communication with employees



Learn how to communicate effectively with diverse employees.

As companies expand across the globe and recruit from other regions and countries, today's workforce is becoming more geographically and culturally diverse. This creates new challenges, not only for communicating with a multilingual and multiethnic workforce, but also for communicating an EVP that has meaning to all employees.

To be successful, companies need to train their leaders to use communication effectively to connect with the evolving workforce. We found that the highly effective communicators do a much better job in this area versus the low-effectiveness group; however, there is room for improvement by all participants in communicating more effectively with a global workforce (**Figure 11**).

Innovate.

We're all being asked to do more with less. What are you doing differently to keep the lines of communication open in challenging times?

Successful communicators explain how employees can make a difference to the business – especially when times are tough. They also maximize their limited resources by trying new communication tools to reach a dispersed audience in real time.

Align your communication to the business — and your customers.

Most firms do well at communicating about the business; however, our study found that less than half of firms report they are effective at communicating to employees regarding how their actions affect the customer or increase productivity (**Figure 12**).

Figure 11. Highly effective companies train managers to communicate to a diverse audience

Companies provide formal training for managers in the following areas:	High communication effectiveness	Low communication effectiveness	All participants
Understanding how to efficiently communicate to a diverse population	65%	34%	56%
Communicating to a global workforce	50%	19%	36%

Figure 12. The majority of firms aren't using communication to increase productivity

Percentage of organizations that report their internal communication function is effective at each aspect of communication

	All	Australia	Canada	Europe	Middle East	United States
Helping employees understand the business	60%	48%	53%	60%	56%	65%
Providing information on organizational performance and financial objectives	56%	60%	63%	54%	44%	61%
Increasing productivity	46%	36%	57%	49%	48%	42%
Communicating to employees on how their actions affect the customer	45%	36%	51%	40%	48%	46%

For a balanced perspective, communicate the BIG picture and the local focus.

Have consistent messaging across an organization, but customize delivery to meet local needs. Highly effective communicators customize their messages to maximize their impact. They strive for a balanced approach — communicating big-picture, companywide messages for information and perspective alongside site-specific information for relevance and impact (Figure 13). In this sense, globalization occurs even in nonglobal companies.

Messages that are delivered centrally include:

- Explaining and promoting new programs and policies
- Educating employees about organizational culture and values
- Providing information on organizational performance and financial objectives
- Providing individuals with information about the true value of their total compensation package

Messages that are delivered locally include:

- Helping employees understand the business
- Telling employees how their actions affect the customer
- Integrating new employees into the organization

Try social media — but make sure you do it right.

Highly effective communicators are making greater use of social media than their less-effective peers. On average, however, usage is fast outpacing effectiveness. While the use of social media has expanded over the last 12 months for all, highly effective communicators are more than twice as likely as the least-effective group of companies to have expanded their use of social media (Figure 14).

The most prevalent reasons for not increasing the use of social media stem from a lack of resources and knowledge, rather than legal restrictions (Figure 15).

Companies that are using social media to engage employees are using these tools to address a variety of topics (Figure 16). The most prevalent topics are collaboration and team building, adapting to change, and promoting health and wellness.

The difference between high- and low-effectiveness communicators was not significant in this area. It ranged from a 17 percent difference in providing a line of sight to the business to a 9 percent difference in promoting risk taking; however, less than half of participants are using social media to reach their workforce.

Figure 13. The majority of companies rely on regional or local communication to help employees understand the business

Type of message	Communication issued centrally	Communication issued regionally/locally
Educating employees about organizational culture and values	63%	37%
Explaining and promoting new programs and policies	61%	39%
Providing information on organizational performance and financial objectives	60%	40%
Helping employees understand the business	47%	53%
Communicating to employees on how their actions affect the customer	27%	73%

Figure 14. More than half of highly effective communicators have increased their use of social media for employee communication

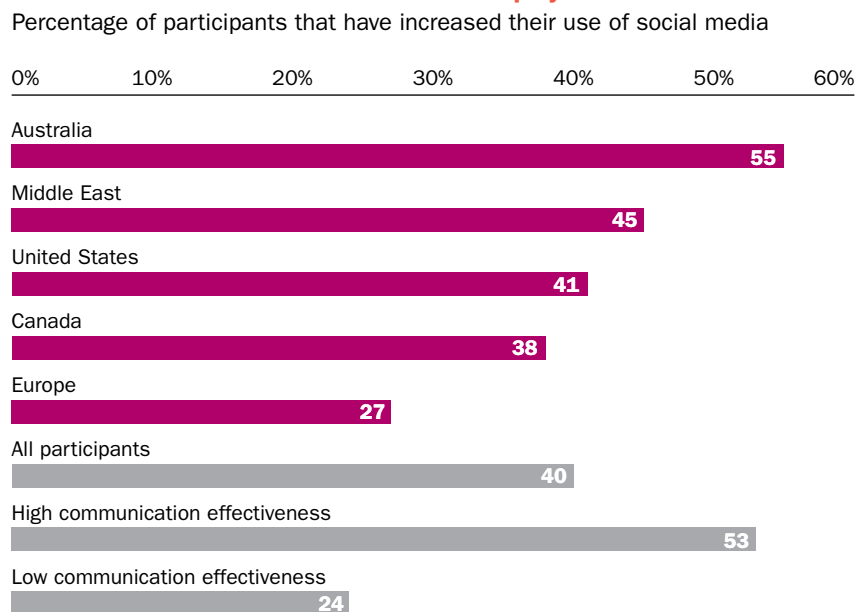


Figure 15. Lack of resources is the top reason for not implementing/expanding use of social media

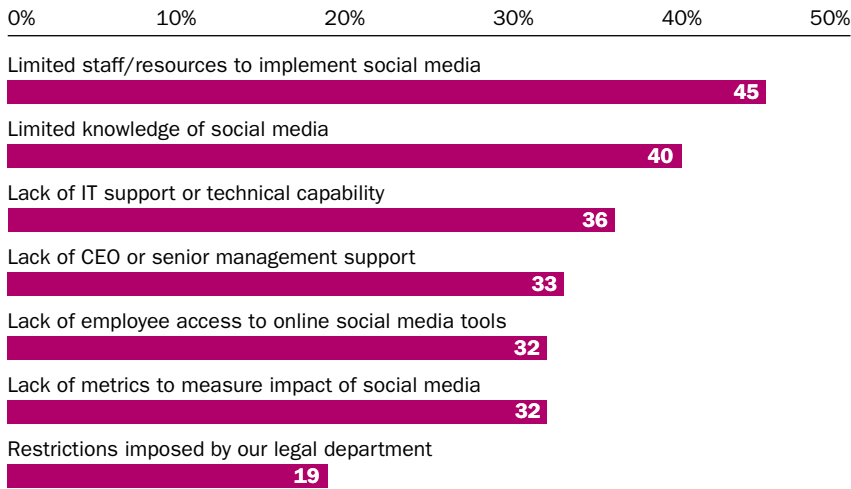
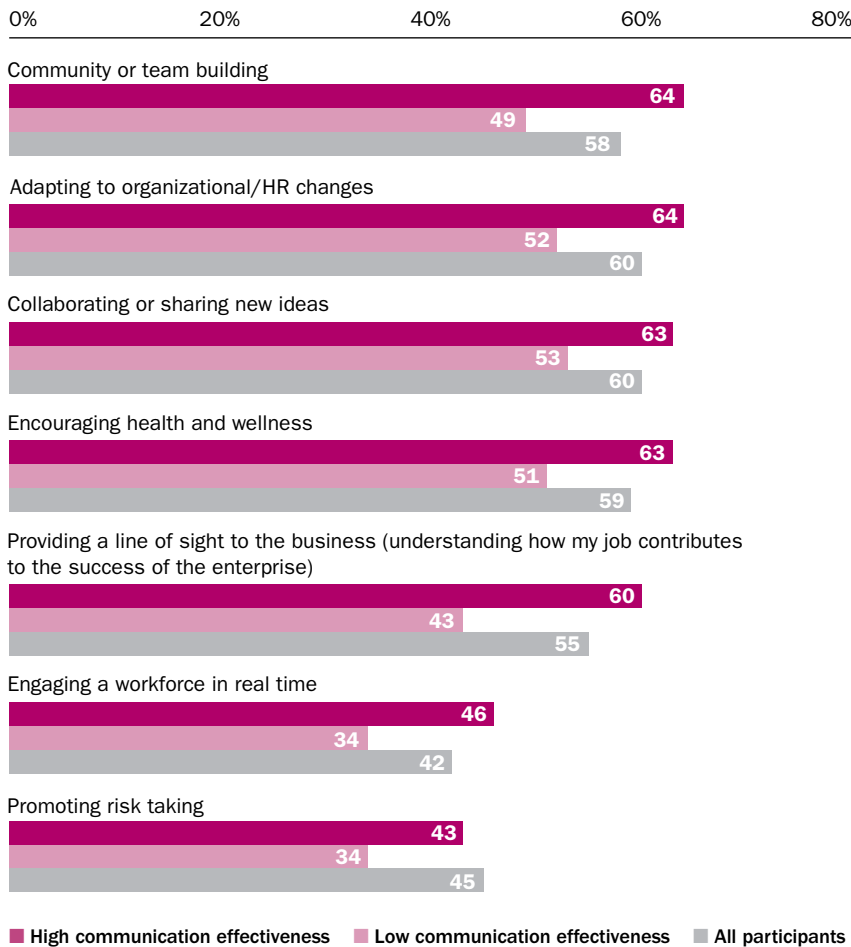


Figure 16. Less than half of participants are using social media to reach their workforce



Highly effective communicators are using social media tools 2-3 times more than the low-effectiveness group of companies to reach employees (**Figure 17**).

Most participants (65 percent) expect to use social media more next year. To get a better return on their investments in social media, however, companies will need to build on their knowledge base and undertake these basic steps:

- Document their social media policy
- Develop tools to measure the success of social media at their company
- Build executive support

Companies are making greater use of electronic and face-to-face communication than before, while the use of print continues to decline (**Figure 18**).

We also found some regional differences in these trends:

- Companies in Australia are most likely to have increased their use of electronic communication channels. Those in the Middle East are least likely.
- Companies in the United States and Australia are most likely to have increased their use of face-to-face communication. Those in the Middle East are least likely.
- Canadian organizations are least likely to have reduced their use of print. U.S. companies are most likely.

While face-to-face communication may be affected by cultural differences, the highly effective communicators are increasing their use of this channel (**Figure 19**).

Figure 17. Highly effective communicators are using social media more often to reach all employee audiences

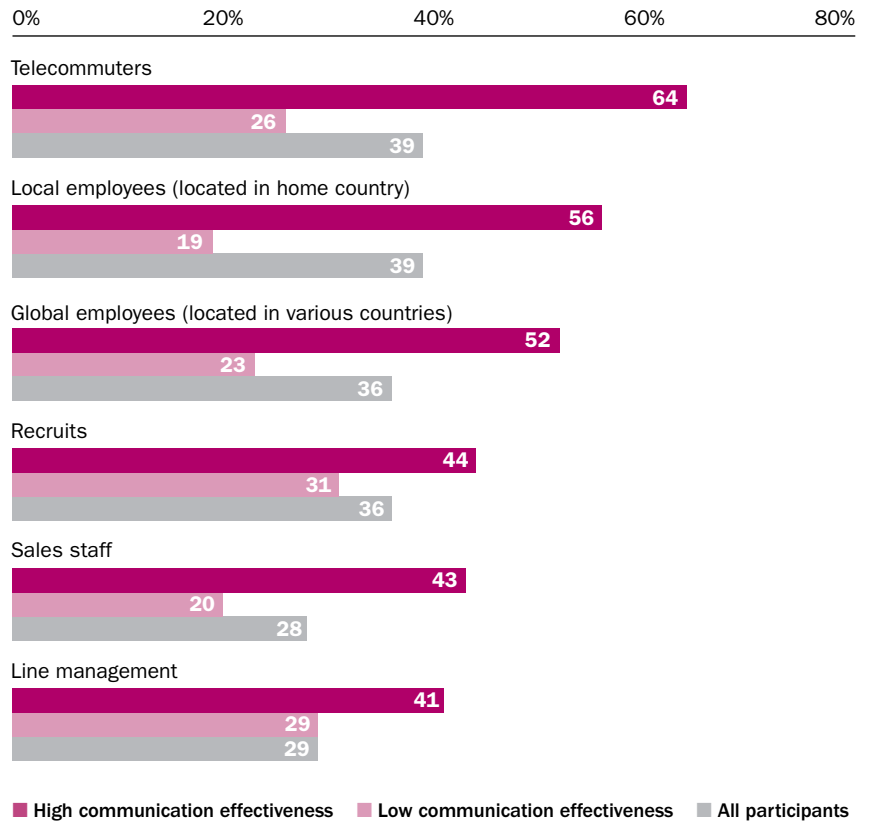


Figure 18. Use of print communication continues to decline

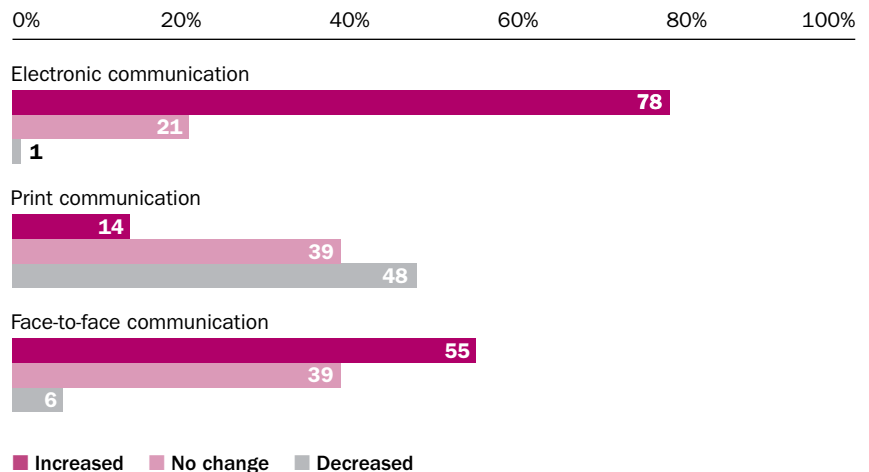


Figure 19. Highly effective communicators are using face-to-face communication to deliver messages during times of change

How has your company's use of the following communication channels changed over the past 24 months?	Channel		
	Electronic*	Face-to-face*	Print**
Australia	91%	59%	50%
Middle East	61%	36%	36%
United States	84%	61%	59%
Canada	79%	56%	28%
Europe	78%	51%	44%
All participants	78%	55%	48%
High communication effectiveness	80%	65%	51%
Low communication effectiveness	67%	45%	43%

* Percentage of companies that have increased their use
 ** Percentage of companies that have decreased their use

The Right Media for the Message

Although social media gets the most media attention and is an emerging trend, the most prevalent means of communication continue to be things such as e-mail, intranet and staff meetings; however, while employees have a keen interest in job security, 24 percent of companies provide no information on this topic (Figure 20).

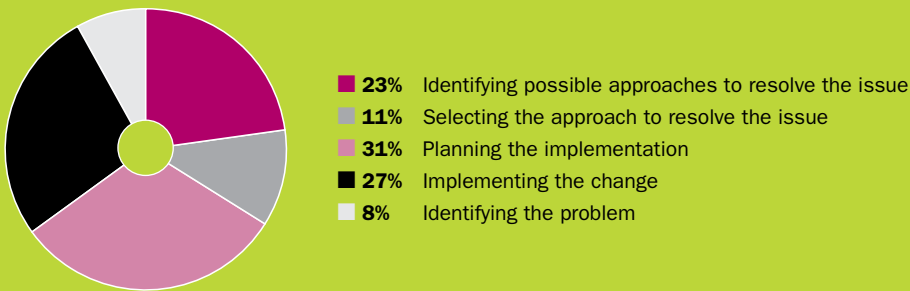
Figure 20. Face-to-face communication is preferred for business change messages

	Technology			Print	In person			None
	Social media	Intranet	E-mail	Printed materials	Town halls	Staff meetings	Other face-to-face	
Business performance	12%	70%	70%	37%	56%	73%	44%	2%
Business strategy for riding out the downturn	11%	53%	55%	26%	54%	65%	40%	7%
Financial education	5%	43%	29%	27%	23%	37%	34%	19%
Customers	15%	47%	47%	37%	31%	54%	45%	10%
Pay	1%	43%	44%	38%	13%	27%	58%	5%
Benefits	4%	61%	54%	51%	21%	32%	51%	3%
Job security	6%	29%	31%	15%	28%	45%	48%	24%

Communication Function's Involvement in Change Process

In four out of 10 companies, the internal communication function helped to develop strategy for making organizational changes. However, in more than half of participating companies (58 percent), professional communicators didn't become involved in the change process until implementation planning began.

Figure 21. Phase at which communication function became involved in the change process



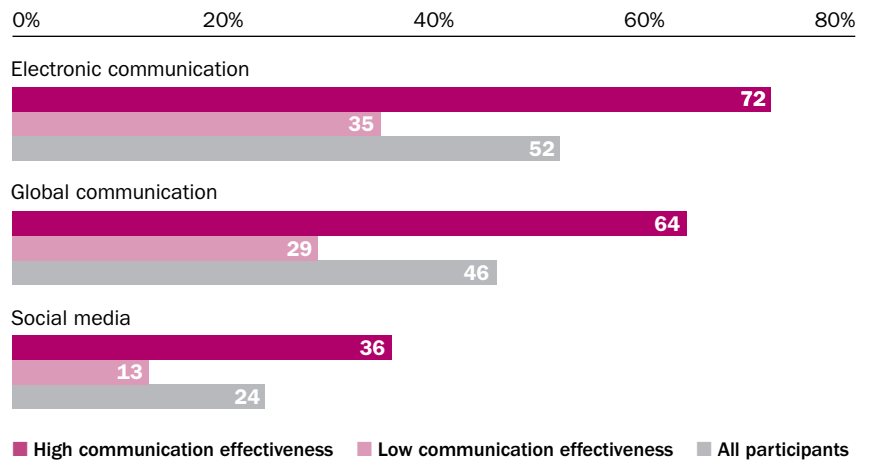
Be disciplined.

There is an old adage: "If you fail to plan, you plan to fail."

Have a documented communication strategy.

The value of having a plan certainly is evident when it comes to effective communication. High-performing organizations are 2–3 times more likely to have a documented communication strategy than low-performing organizations (**Figure 22**).

Figure 22. High-effectiveness companies are more likely to have a documented strategy





Put metrics in place.

And we have a new adage to offer when it comes to effective communication: “What gets measured gets done, acknowledged and rewarded.” Measurement is a critical tool for assessing the effectiveness of communication efforts, building the business case for additional resources and refining efforts to improve overall communication effectiveness. This year’s study found that participating companies are using more metrics than last year (**Figure 23**).

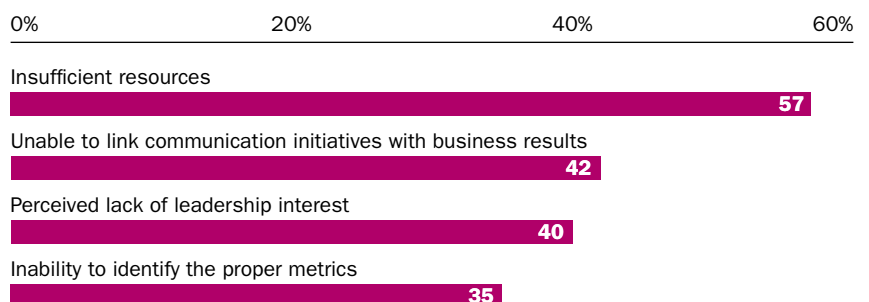
Nevertheless, a disturbingly high percentage of participants report having no formal measurement or assessments — 43 percent overall — with less-effective communicators three times as likely as high-effectiveness ones to have no formal measures in place.

For companies that do not measure communication outcomes, the primary stumbling blocks are insufficient resources and the inability to link communication initiatives to business results (**Figure 24**).

Figure 23. Highly effective communicators are including more metrics

Compared to last year, companies are:	High communication effectiveness	Low communication effectiveness	All participants
Including more communication outcome metrics now	53%	34%	40%
Using about the same communication outcome metrics	44%	51%	50%
Spending less time on measuring communication outcomes	3%	15%	10%

Figure 24. Having insufficient resources is the top reason for not using communication metrics



Companies that communicate effectively are also more likely than companies that communicate less effectively to formalize these metrics by including them in a corporate scorecard – 70 percent vs. 47 percent. They also are more likely to have increased their use of measurement and have a formal communication advisory group in place (Figure 25).

Use new metrics for new media.

Highly effective communicators are more likely to have processes in place to measure the effectiveness of social media and to say their social media tools for employee communication have been cost-effective (Figure 26). Social media metrics, however, are still in the development stage, much like the tools themselves.

Figure 25. Highly effective communicators benchmark and use advisory groups

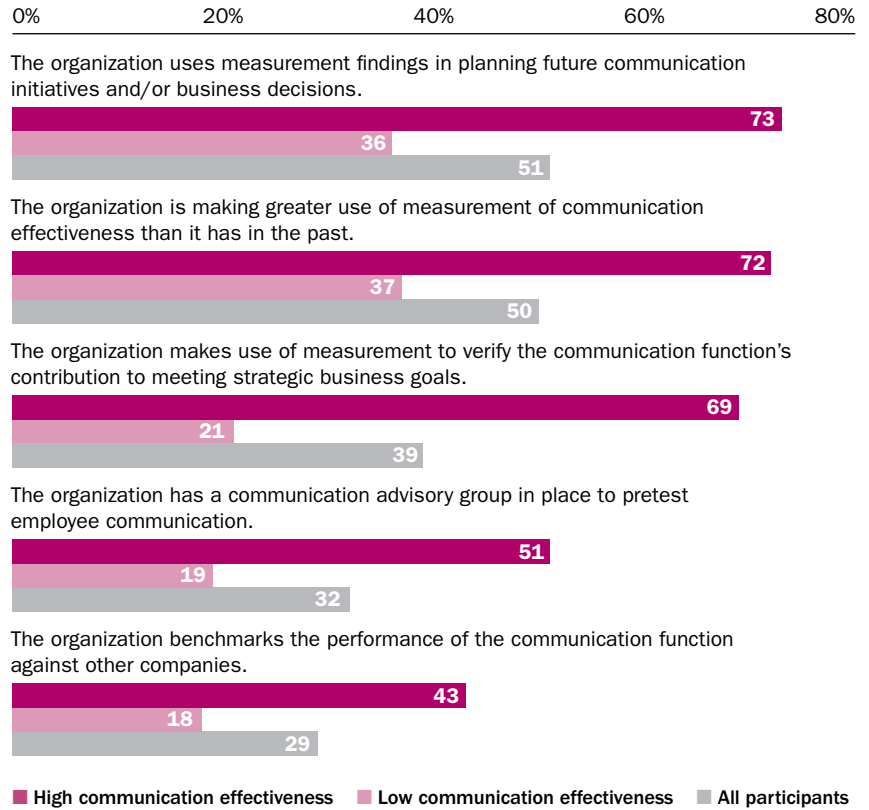
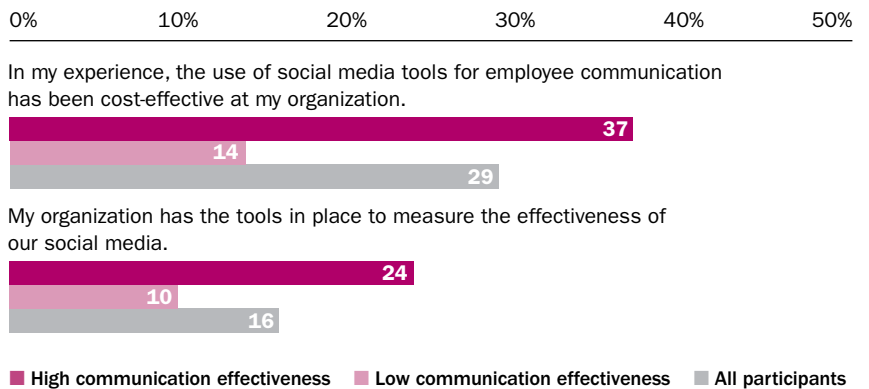


Figure 26. Few companies have tools in place to measure the effectiveness of social media



Conclusion

In challenging times, companies are forced to make tough decisions and deliver difficult messages. But our study found that high-performing companies don't shy away from tough messages. They make communication a priority and use every tool available to reach out to a workforce in desperate need of information and direction. In the absence of consistent messages, employees will fill the void with rumors and speculation. And it takes 10 times the effort to correct misinformation than it does to deliver correct information in the first place.

Companies need to be courageous when it comes to employee communication. Employees are always looking to the company to put organizational and benefit changes into perspective and to tell them what they need to do differently to succeed. Highly effective communicators say more, not less. They acknowledge when the employment deal is different, and they train managers to communicate effectively

and manage differently at all times, but especially during times of uncertainty.

Companies need to be innovative, reaching out to deliver critical messages on customer feedback and improving productivity — taking the initiative to try new tools to reach a culturally diverse and geographically dispersed audience is the hallmark of effective communication.

And companies need to be disciplined when it comes to communication — establishing metrics and holding the communication function accountable for results tied to the business strategy.

That's what the high-performing companies and communication professionals do. That's what sets them apart from the norm. By adopting these best practices for communicating in challenging times, your organization will be better positioned to succeed in an uncertain future.

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.

Originally published by Watson Wyatt Worldwide

Copyright © 2010. All rights reserved.
TW-NA-2009-14890

towerswatson.com

TOWERS WATSON 