Creating High Performing Organizations: Being an Employer of Choice

The worst of the global financial crisis is over. But unknown to many companies, another time-bomb awaits. In a brave new world where the only certainty is fiercer business competition, how can companies rally the troops and take advantage of market opportunities?

About the research (Employer of Choice 2009-2010):
In November 2009, Hay Group conducted its third national employee opinion survey to identify Indonesia’s employers of choice by gauging the level of employees’ engaged performance in Indonesian companies. This will provide useful insights and recommendations for eligible companies to boost their employee engagement and therefore company performance. 18 top Indonesian companies with 26 entities from various industries (financial, manufacturing & non-manufacturing) with a total of 6,474 employees took part in this survey.

The new business imperative: achieving more with less
Now that the Indonesian, and indeed Asian, economy is well on the road to recovery, companies are once again looking for growth opportunities and new markets. Talking to many business leaders recently, we noticed a similar worry they all share “do I have the right people to execute my strategy?”

Even though the global economic outlook continues to be guardedly optimistic, employees in Indonesia are no longer as afraid to leave their jobs, compared to just twelve months ago. With one in two professionals either contemplating or actively seeking new job opportunities, the talent outlook is grim.

Last year, companies focused on stripping out poor performers and retaining high-performers. A word of caution has to be offered about an over-reliance on high performers to deliver business results. The majority of employees falls into neither the poor performer nor the star categories, but are good, competent, average performers. It is shifting performance in this middle category that will really make a difference in the success of the organization. Organizations can do more to keep this large group motivated, engaged and adequately rewarded for the positive contribution they make.

Creating High Performing Organizations
According to Hay Group’s research, the world’s leading companies responded to the downturn by eking every last drop of performance out of their people and structures. Yet they are not doing this though cuts or coercion. Recognizing that enthusiastic and enabled people are the key to performance, they cultivate ‘employer brands’ that staff are proud of; craft reward programs that
drive the right behaviors; develop leaders who create inspiring climates; and know what drives employee performance.

How can we emulate them? Are there any common principles that can guide us? According to Hay Group’s research in 2009 and 2010, there are four basic principles:

**Know who you are, build your employer brand** – Our Best Companies for Leadership survey (2009) showed that the top-scoring firms all shared a clarity of mission and identity. Nearly 90 per cent of them have developed an explicit employer brand compared to only two-thirds of peers.

This trend is also reflected locally in our Indonesia’s Employer of Choice survey (2009-2010). When selecting a company to look for, job seekers use the criteria as illustrated in Figure 1.

| 1. Attractive salary and benefits | 2. Good reputation/ prestigious brand |
| 5. Career advancement opportunities | 6. Job security |
| 7. Aligned with competency | 8. Good working environment |

*Figure 1: Job seeker’s criteria for choosing a company in descending order of importance (Source: Hay Group’s Employer of Choice survey, 2009-2010)*

Oddly enough, our survey showed that not all the top-scoring firms did correspondingly well in the job seeker rankings, thus highlighting the need for participants to build their employer brand as part of their initiative to attract talent.

Another interesting point that surfaced in our study is the difference between the reasons employees join a company vis-à-vis their reasons for staying. According to our survey, the top drivers of employee retention are as illustrated in Figure 2:

| 1. Leadership | 2. Talent management |
| 3. External business focus | 4. Clarity of direction |
| 5. Job enablement |
Figure 2: Top Drivers of Employee Commitment in Indonesia in descending order of importance (Source: Hay Group’s Employer of Choice survey, 2009-2010)

Notice that attractive compensation is the top reason that employees join you but does not even figure within the top 5 reasons that will induce an employee to stay. Hence it is clear from Figure 2 that once employees are in the door, what will induce them to stay are the intangibles like how their leaders behave and manage them, whether they are enabled to succeed and clarity of direction.

In this regard, managers would do well to use different approaches when it comes to retaining and engaging employees.

Spend wisely – According to Hay Group’s global Changing face of reward study (2010), there is a strong trend to link performance more tightly to reward. However, companies in Fortune magazine’s World’s Most Admired Companies list resist the temptation just to set financial-related measures, focusing instead on metrics that work for the long-term: teamwork, customer loyalty, building human capital.

Overall, leading companies are using reward to shift from a culture of entitlement to one of performance. And they make sure that everyone – not just ‘stars’ – has a chance to get their efforts recognized.

In Indonesia, our Employer of Choice survey supports this. The top organizations encourage their employees to go the extra mile by not only focusing on financial-related measures, but also on how to build company effectiveness through shared clarity on their vision, mission, and leadership. Top organizations focus on personal effectiveness through job enablement and growth opportunities, and they do not just focus on ‘stars’ but provide a chance for all employees to be recognized for their efforts.

Inspire your people – As illustrated in Figure 2, the importance of leaders in driving performance cannot be over stated. Yet recent Hay Group studies suggests only 26 per cent of leaders create high-performance climates. Our Best Companies for Leadership survey in 2009 show that nearly all of them empower their employees to behave like leaders, compared with only two-thirds of their peers. And they set store by leadership qualities like inspiration and teamwork. The result is a culture that encourages employees to perform.

Our Employer of Choice survey shows that leadership is the top driver, having the most impact on job satisfaction and overall commitment of employees in Indonesia. Employees are looking for a leader who is able to “walk the talk”, build trust and confidence, show sincere attention and appreciation to them.
Know what drives your employee performance -- Compared to previous years’ surveys, employee enablement has emerged as one of the key drivers of overall employee commitment in Indonesia. Engagement alone is not enough to drive long-term and sustainable employee performance. Employees also need to be enabled for success. Employees who are engaged but not enabled become frustrated quickly; after all, no one likes to feel that they have been set up for failure. In turn, this leads to detachment and resignation.

What is employee enablement and what does it look like? This is the subject of the next section.

Engagement is not enough
Engagement is the commitment that employees feel towards their organization – their willingness to recommend it to friends and family, their pride in working for it, their intention to remain part of it and more critically, their willingness to go above and beyond the call of duty in its service. But engagement alone is not enough to drive individual and organizational performance in any sustainable fashion.

Employees need to be ‘enabled’ to channel their efforts productively. They need the right tools to do their job – information, technology, equipment, finance and other forms of support – and the freedom to focus on their responsibilities, without being distracted by procedural restrictions and non-essential tasks.

What is the financial impact of having an engaged and enabled workforce? According to Hay Group’s cross-industry analysis of over 400 global companies, organizations in the top quartile on engagement demonstrate revenue growth 2.5 times that of organizations in the bottom quartile. Companies in the top quartile on both engagement and enablement achieve revenue growth 4.5 times greater than those in the bottom quartile.

In addition, employee performance is 10 percent higher in companies in the top quartile on engagement than those in the bottom quartile, employee retention is 40 per cent higher and customer satisfaction is 71 per cent higher. The corresponding figures for organizations that have both high engagement and high enablement are 50 per cent, 54 per cent and 89 per cent.

Indeed such performance is not to be sneered at in any sort of economic climate.

Clear leadership and direction is an important part of an effective engagement strategy. If employees are expected to execute organizational directions, they need to understand the practical implications of what they are being asked to do. They also need to be motivated by seeing how what they do fits into the bigger picture and having a sense of purpose is a critical factor in engagement. Hence, what are the hallmarks of a successful leader?
The DNA of Successful Leadership

Given that major, unpredictable and high-impact events will be a regular feature of the future economic landscape, Hay Group’s research also identified the key attributes that leaders need to have to steer their companies in a brave new world.

We can learn from the leadership practices of the Top 20 Best companies for leadership (2009). In terms of shareholder return, they significantly outperform the S&P500 Index – both in the short and longer-term. What sets them apart is their ability to:

- Create purpose-driven leadership
- Win hearts and minds of employees
- Treat their talent as strategic corporate assets
- Develop strategic thinking skills
- Teach their leaders to be teachers

Creating purpose-driven leadership

Leaders need to provide direction to the organizations and employees need to know their role and contribution to the company and department objectives. In all three Employer of Choice surveys we see that more leaders now understand this and take the time to communicate “why we do the things we do” to their employees via town-hall meetings and other forms of internal communications to close the gap between conceptual strategy and workflow execution. Both CEOs and employees feel that this strengthens the sense of belonging and purpose.

In addition, leading organizations have also been investing significant time and resources in building partnerships with others to address major global challenges. External business focus, which also covers corporate social responsibility issues, is a key driver which features continuously on the overall commitment level of employees in Indonesia since our first survey in 2005.

Winning hearts and minds

In flatter, increasingly complex matrix-type organizations, leaders often lack direct control and authority over people they need to help them drive performance. In order to win hearts and minds they need to be inspirational, and feel comfortable dealing with ambiguity. Therefore the issues leaders address often cut across organizational silos, which encourages them to think in a more enterprise-wide way, fosters joint problem solving and helps prevent ‘turf wars’.

One of our high performing companies on our Employer of Choice survey was able pull this off by engaging not only their employees but also with the family members of the employees. Their talent management program also involves the employee’s spouse so that the family understands the connection between company objectives, contribution of the employee and incentive received. In this way, the employee receives family understanding when he puts in discretionary effort.
Treat your talent as strategic corporate assets
Hay Group’s research shows that promoting leaders from within the organization is both more cost effective and more successful than hiring from the outside. Many leading companies take great pains to build bench strength for critical roles. Not only does this increase the candidate pool for leadership positions, but also provides growth opportunities for individuals. This is in line with our Employer of Choice survey (2009-2010) where talent management and development is the second most important reasons for talent retention (Figure 2).

Develop strategic thinking skills
If you have the wrong strategy, great execution will not help you much. Focusing on the right goals is essential to driving performance. But leaders need to think strategically and tactically at the same time. They need to be agile learners, with the ability to shed old mindsets and look further afield for insights on how to tackle new and unforeseen challenges, quickly.

One of the best ways to develop strategic thinking is to give aspiring leaders challenging opportunities as early in their careers as possible. Procter and Gamble, for example, hires people with the potential to move up at least two levels in the organization and gives them the experience to help them develop. For their high-potential leaders they identify ‘destination roles’ that they could move into in five to seven years’ time.

Our Employer of Choice survey showed that most companies still focus with their succession planning on higher management levels and mission-critical jobs. This is plainly insufficient for building a talent pipeline. Companies need to focus more on succession planning for junior and middle management as early in their careers as possible. This will prepare future leaders who understand the company’s business and value proposition.

Teach your leaders to be teachers
Leaders need to develop their capacity to learn and one of the best ways to learn something new is to teach it to others. Coaching and mentoring are, therefore, key elements in fostering successful leadership. Southwest Airlines use ‘embedded coaches’ who usually come from one part of the business and act like personal trainers in another.

And last year, despite the meltdown in the financial services industry, 152 senior leaders functioned as teachers at the Goldman Sachs University. This is because the bank believes that part of leadership responsibility is to help grow the next generation.

Significantly, the best-in-class companies had a higher proportion of women in senior leadership roles. Women tend to use a coaching style more than men and so are better able to develop the skills of others.
Our employer of choice survey also shows that most employees in Indonesia are looking for leaders who are able to coach them, thus gaining their trust and confidence.

**The Talent Management Challenge**

Rebuilding profitability is a key priority in the recovery phase. The global recession has taught companies in Asia that growth-at-any-cost can no longer be the status quo. Hence, they continue to focusing on cost containment and performance improvement as the path to profit growth. This requires them to balance four, often conflicting, challenges: cost containment, performance improvement, talent engagement and risk management.

In particular, the tension between cost containment and talent engagement was a very strong theme. Organizations are very concerned about retention and motivation, particularly for top performers, high potentials and those with scarce skills. However, the option of paying more for retention or performance is often no longer available and companies are focusing more on intangible rewards (such as motivational leadership, challenging work and career development) to boost engagement.

One of the high performing companies in our Employer of Choice survey demonstrated their competitiveness in terms of their initiatives in intangible rewards (such as clear direction and authority, motivational leadership and career development) compared to the others to boost engagement. This benefits from these intangibles flowed straight through to their bottom-line, where they registered significant business performance growth compared to previous years.

**Climate change is good**

Hay Group’s Employer of Choice survey has shown that the first step to creating a high-performance culture starts with engaging and enabling employees for success.

Looking at this in another way. A company’s credibility is its history of keeping promises. While CEOs make the promises upon which their businesses depend, it is not really in their power to keep them. In fact, it is their employees who keep the promises – or break them – on the CEO’s behalf. Do we really want to put detached or ineffective employees in front of our clients and investors?
Hence, companies interested in building effective organizations that will last through good times and bad should begin by seeking insight into their employee experience. And asking, what is stopping you from feeling motivated and performing at your optimal level?

**About Hay Group**

Hay Group is a global consulting firm that works with leaders to turn strategies into reality. We develop talent, organise people to be more effective, and motivate them to perform at their best. With 86 offices in 47 countries, we work with over 7,000 clients across the world. Our clients are from the public and private sector, across every major industry, and represent diverse business challenges. Our focus is on making change happen and helping organisations realise their potential. Visit [www.haygroup.com/id](http://www.haygroup.com/id).