



Breakthrough research:

Identifying the factors that make a high-performance employee experience (HPEX)

The world's leading organizations are increasingly focusing on employee experience (EX). The fundamental belief is that EX sits at the heart of delivering an exceptional customer experience and, in theory at least, superior financial performance. But to date, there has been a lack of robust definition of EX, or any reliable research to identify how it relates to organizational performance. So, we set out to do two things: first, develop an evidence-based model of EX, which identifies the factors that matter the most; and second, establish whether EX is predictive of business performance.

Fundamentals of EX

Dimensions of EX: Fundamentals that employees are looking for at work



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To develop a perspective on employee experience, it is helpful to first consider some workplace fundamentals. As members of an organization, employees have the opportunity to experience both connection and contribution at work. To connect, they interact in teams with other employees on a regular basis, they take direction from managers and they support colleagues to achieve work goals. In addition, employees link work goals with the broader purpose of the organization – its mission, strategy and future direction. The quality of this overall “connection experience” shapes engagement at work.

As organizational members, employees also have the opportunity to contribute at work and be recognized accordingly. They execute job tasks through organizational structures and systems, build capability and are rewarded with compensation and growth opportunity. The quality of this overall “contribution experience” shapes loyalty to an employer.

These aspects of connection and contribution can be summarized in the figure above. Fundamentally, employee experience is about:

- Connecting with people and organizational purpose
- Contributing to work and being rewarded accordingly

EX – what matters most?

If purpose, people, work and reward are fundamental dimensions of employee experience, how do we identify the factors that matter the most? Do we know them from a proxy statement or a financial report? Probably not. The best source for insight into employee experience is the experiencing agent themselves – employees.

To understand this requires a rigorous data source of employee feedback. Each year, Willis Towers Watson surveys over 500 companies and nearly 10 million employees. Our total database, from nearly 50 years of research, is approaching a quarter of a billion employees. Across those companies, our employee surveys tap into all aspects of employee experience – from local conditions such as training opportunities, immediate supervision and teamwork, to aspects of organizational functioning such as senior leadership effectiveness, customer focus and company competitiveness.

Within our group of over 500 clients each year, we define a smaller set of global “high-performance” companies. We examine all our clients on nine measures of financial performance. Example measures include return on assets, revenue growth and net profit margin, examined for both current rates and three-year trends. Only clients who are significantly outperforming their sectors, on a sustained basis over three years, are included in the group of high-performance companies.

A second criterion is also applied – clients must have above average employee survey scores. In other words, they must have strong financial performance and a relatively strong culture. It turns out it’s hard to do both. Only about 30 out of the over 500 clients make it into this elite group every year.

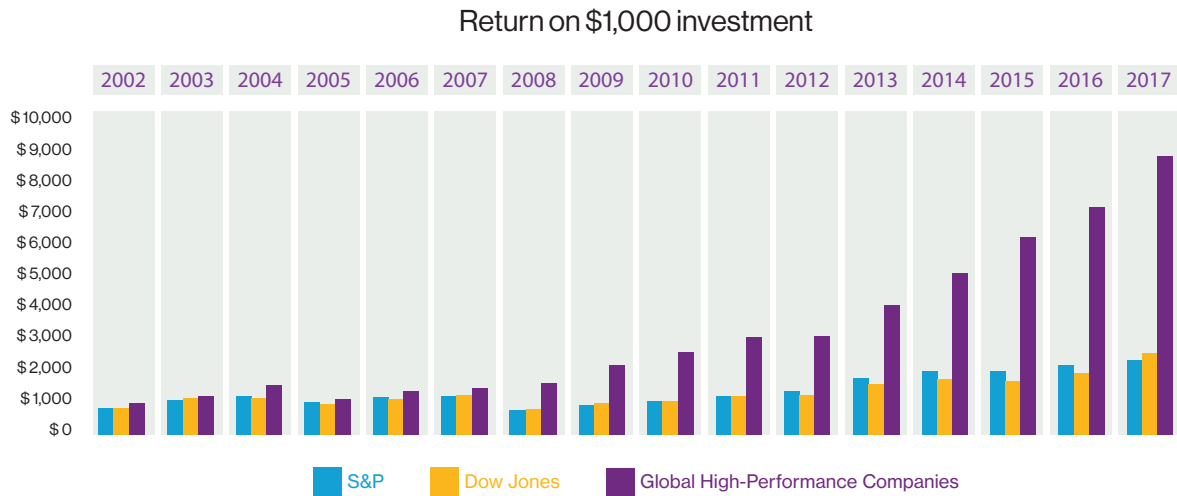
Willis Towers
Watson’s database
of employee opinion
includes feedback
from nearly a
quarter of a billion
employees.

The financial return from this set of organizations is impressive. The figure on the next page shows the return on a \$1,000 investment in these firms, started in 2002 and tracked through 2017. Had you invested \$1,000 in the market in general it would now be worth just over \$2,000 (as we see from the performance of the S&P and Dow Jones as examples). However, had you invested in our group of high-performance companies, re-investing your money each year as the norm group changes slightly from one year to the next, your \$1,000 would now be worth nearly \$9,000 – incredible! Of course, this company set is selected in part for above-sector return to investors, nevertheless this picture is confirmation of the superior and sustained business results from this group of companies.



High-performance companies have impressive and sustainable performance

Stock performance of high-performance companies vs. Dow Jones and S&P Indexes



Clearly, there is something exceptional about this group of companies. By studying opinions from employees in the high-performance group, it is possible to uncover which aspects of employee experience characterize successful companies. To do this, we compared the opinions of employees in the high-performance group with the opinions of employees in our total global data set, the “global average”.

The results of this comparison are shown on the next page. The global average is represented by the vertical axis on the left, and the scores represent the extent to which survey scores of the high-performance group outstrip the global average (in percentage points). Three sets of topics can be distinguished based on the size of the gap.

Three levels of EX – essentials, emphasis, excellence

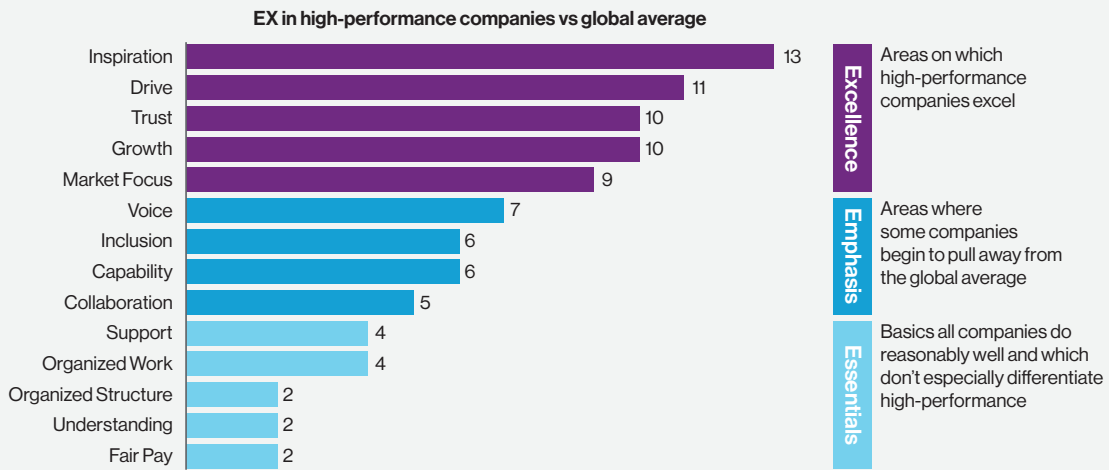
Essentials – At the bottom are aspects of the workplace that provide little differentiation across companies. Most firms perform, in their employees’ eyes, to a similar level in terms of providing the workplace basics of goal understanding, organizing work efficiently, fair compensation and local manager support for performance. We can characterize these as workplace “essentials” – foundational capabilities most organizations spend a lot of time and effort on, but which alone do not characterize high performance.

Emphasis – Next there comes a group of topics where high performers **are** noticeably differentiated compared to the global average. In these organizations, reward is insufficient without also building people’s capabilities through training and learning experiences that advance their skills. Likewise, work delivery is suboptimal unless employees exercise voice through proper job authority and avenues to speak up and drive new ideas. Connection to purpose is ineffective unless employees bring their full selves to work in an inclusive environment. People management efforts fall short if

employees are not actively collaborating with colleagues by sharing information and working easily across organizational boundaries. There is a common characteristic to these topics which suggests that high-performance companies give extra emphasis to personal influence or agency at work, allowing employees to actively take advantage of opportunities to excel.

Excellence – Finally, there is a group of topics that most differentiate the high-performance companies, and that can be considered the true “hallmarks of excellence”. The best companies, in their employees’ eyes, excel by inspiring connection to mission and purpose, providing growth opportunity to fuel ambitions, engendering deep trust in senior leadership effectiveness and creating a sense of drive (through strong customer focus, ongoing change management and agility in meeting marketplace demands). The common characteristic of these factors is that they are a function of the mindset within the company.

Based on the extent to which survey topics are hallmarks of high-performance EX companies

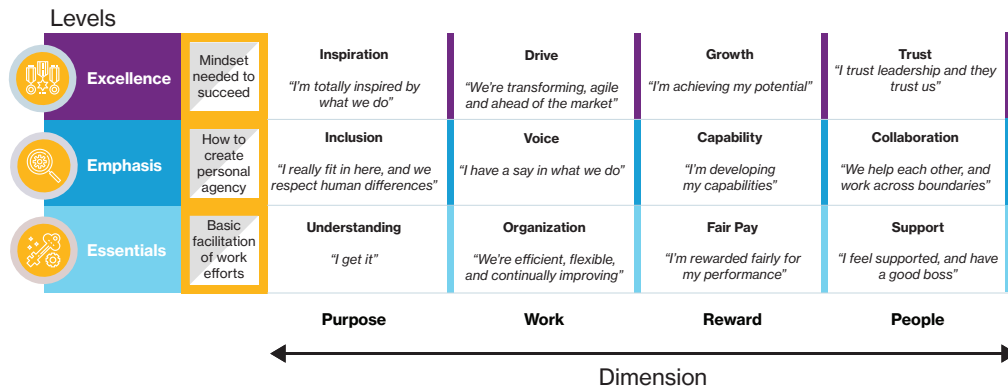


Source: Willis Towers Watson Normative Database. © Willis Towers Watson

A modern model of EX

By blending the basic dimensions of employee experience (purpose, people, work and reward) with these levels of differentiation the following model of the full landscape of employee experience emerges. We call this the High-Performance Employee Experience (HPEX) model.

HPEX model



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The link between EX and financial performance

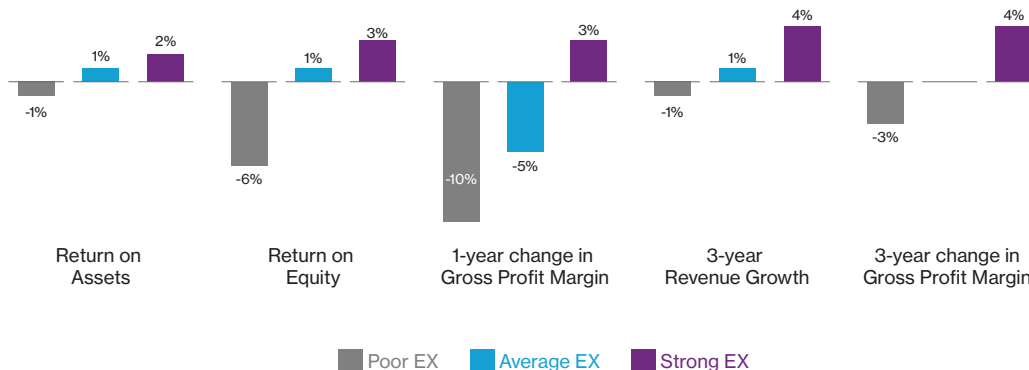
To answer our second question, as to whether EX can predict financial performance, we created a short 34-item employee survey, with questions mapped to our HPEX model above, and which can be aggregated into a single index. We then tracked scores across 120 client organizations. We also researched the financial performance of each. This allowed us to determine the correlation between EX and business results. As shown in the following figure, those correlations are real and meaningful. Companies with more effective employee experience outperform their peers for top-line growth, bottom-line profitability, and return to shareholders. In other words, our EX diagnostic is predictive of whether an organization will underperform or outperform its peers.

EX predicts sustained financial success.

EX predicts better financials

Analysis of EX vs. financial performance across organizations

Comparison vs. sector average



Source: Willis Towers Watson Normative Database. © Willis Towers Watson

Practical implications

So, what are the practical implications, for organizations to achieve success?

- **EX now has a definition.** Until now, EX was poorly defined. Our model above provides an industry standard for understanding EX.
- **EX is a business issue and needs to be managed.** Because EX has such a significant impact on sustained financial success, it cannot be left unmanaged. That makes it a leadership responsibility.
- **EX should be THE guiding construct for human capital.** Because of the profound impact of EX on an organization's success, no significant change in an organization should be made without considering the impact on the employee experience.
- **EX can be assessed.** Our model allows us to move from just talking about EX to true assessment, with a diagnostic that we know predicts financial performance. We create scorecards for clients, which give a rich play back of their EX, allowing them to establish priorities for change.
- **Workplace essentials alone will not drive change.** The research makes very clear that, because of the ubiquity of focus on compensation, supervision, setting clear goals and organizing work, employees' experience of the workplace essentials does not vary a great deal from one organization to the next. They are necessary table stakes and there are risks and costs for not getting them right. But workplace essentials alone will not significantly impact your ability to achieve high performance. It is interesting then that they are the preserve of so much leadership attention and investment.

HPEX Scorecard



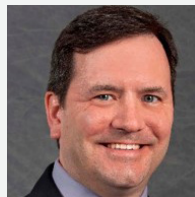
- **Free the spirit of employees.** What really starts to define high-performance organizations is their ability to free the spirit of employees by giving them voice, allowing them to bring their full selves to work in an inclusive environment, building their capabilities and helping them work across boundaries.
- **Transforming your organizational mindset will bring the biggest gains.** The most profound change though comes through a transformation of mindset – inspiring your organization around your purpose, driving agility and innovation to be ahead of the market, helping your people achieve their potential and building a trusting leadership environment. The fact that so few organizations do this well suggests it is hard. But it is the ultimate magic key to unlocking high performance.

Authors



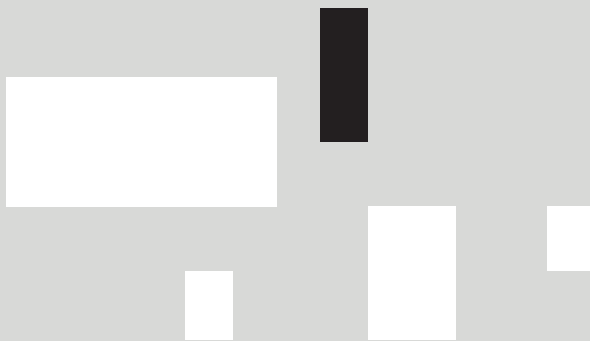
Stephen Young

Global Practice Leader,
Employee Insights



Patrick Kulesa

Global Research Director,
Employee Insights



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