



**Change and Communication ROI — The 10th Anniversary Report**

# **How the Fundamentals Have Evolved and the Best Adapt**

**2013 – 2014**

**Change and Communication ROI Study Report**

## A Look Back — 10 years and Six Groundbreaking Studies

Over the past decade, the ROI study has examined the critical role that internal communication and change management play in business success. In this 10th anniversary report, we share how practices have evolved and provide guidance on how companies can improve effectiveness in the future.

**2003/2004**

Communication is no longer a “soft” function. It drives business performance and organizational success. Companies with the highest levels of effective communication experience a 26% total return to shareholders from 1998 to 2002, compared to a –15% return experienced by firms that communicate least effectively. A significant improvement in communication effectiveness is associated with a 29.5% increase in market value.

**2005/2006**

Effective communication is a leading indicator of financial performance. Companies with high communication effectiveness experience a 57% higher total return to shareholders (TRS) during the five-year period from 2000 – 2004, versus those with low effectiveness. The shift to online continues, with 75% of respondents reporting an increased use of digital communications.

**2007/2008**

Top performers have six secrets:

1. Focus on the customer.
2. Engage employees using two-way communication.
3. Train managers to communicate effectively.
4. Involve internal communicators in managing change.
5. Measure the performance of communication programs.
6. Brand the employee experience.

Moreover, in 55% of high-effectiveness companies, the communication function now plays a lead role in developing and managing intranet content.

**2009/2010**

Companies that communicate with courage, innovation and discipline, especially during tough times, are more effective at engaging employees and achieving desired business results. Only 14% of survey participants are explaining the terms of the new employee value proposition (EVP) to their employees. Among highly effective companies, more than half have increased their use of social media.

**2011/2012**

Organizations with highly effective communication and change management practices are more than twice as likely to significantly outperform their peers, versus organizations that are not highly effective in either of these areas. Six activities influence overall change success: leading, communicating, learning, measuring, involving and sustaining. Two-thirds of survey respondents report they are more knowledgeable about social media tools than they were a year earlier.

**2013/2014**

The best are three and a half times more likely to significantly outperform their industry peers through a deep understanding of culture and behavior. Managers can be the catalyst for building community, managing change and delivering on the EVP. Of the 56% of respondents using social media, those that use multiple approaches report a stronger impact on community building.

**John Finney, Senior Consultant with Towers Watson, co-led our initial study 10 years ago. Listen to him speak about our initial inquiry into the ROI of effective communication and how our research has expanded over the years.**



# How the Fundamentals Have Evolved and the Best Adapt

## 2013 – 2014 Change and Communication ROI Study Report



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### At a Glance

- Our sixth survey finds a continued strong relationship between superior **financial performance** and **effective communication**, and change management. Companies with high effectiveness in change management and communication are three and a half times more likely to significantly outperform their industry peers than firms that are not effective in these areas.
- The fundamentals of communication and change management are more effective when grounded in a deep understanding of an organization's **culture** and **workforce**. Segmenting and understanding employee groups help communication and change professionals create the relevant programs needed to drive the right behaviors and deliver results.
- When effectively **trained** and **informed**, **managers** represent an untapped resource that can create the culture and drive the behaviors needed to develop competitive advantage.

# Executive Summary

Peter Vogt, Senior Director of Global Employee Brand Strategy at eBay Inc., was an inspiration in the founding ROI study. Here he speaks about the role of this research in our industry and how effective practices have evolved in the last 10 years.



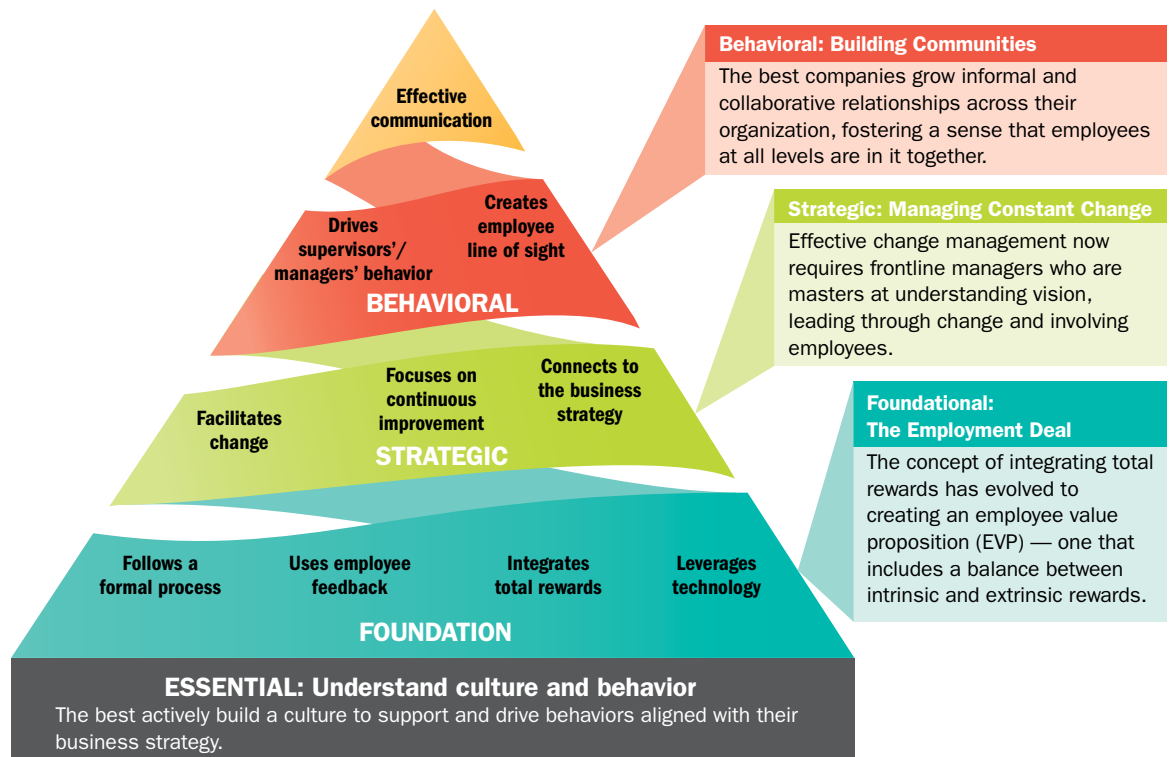
Ten years ago, our first ROI study recommended that organizations focus on three tiers of practice — foundational, strategic and behavioral — to create an effective program and drive business results. Our early research found a strong correlation between these fundamentals: communication effectiveness and superior financial performance. A powerful correlation that continues to stand the test of time.

Today, companies that excel at these fundamentals still outperform their industry peers. However, a few key things have changed:

- **The audience.** The workforce is increasingly dispersed, and has diverse and evolving expectations about their employment deal and how their employer should interact with them. Organizations need a deeper understanding of their employees to promote the company culture.
- **The stakes.** Discretionary effort from employees — their willingness to go the extra mile to deliver results — is critical to organizations that are striving to stay ahead of the competition.
- **The pace.** Owing to technology and globalization, the time communication and change programs have to connect with constituents has dramatically shortened. Shorter timelines are complicated by tighter resources and greater security concerns.

Four areas of focus emerge as levers that differentiate the most successful organizations. They represent an evolution of the foundations recommended in 2003. Deployed well, they nurture the desired organizational culture, increase program relevance and drive employee behaviors to deliver on the business strategy.

This 10th anniversary report looks back at how change and communication effectiveness has evolved, where organizations continue to struggle and where they're going next. Looking forward, the tools and techniques available to today's practitioners will give them the opportunity to supercharge the fundamentals and maximize program effectiveness.





## Understand culture and behavior to improve effectiveness

Even the most brilliant business strategy is likely to fail if you cannot motivate your talent to deliver on it. For example, if your strategy demands a focus on innovation, you need your talent to think creatively and share new ideas. The most successful companies actively build a culture to support and drive behaviors aligned with their business strategy. Here's how they get started:

1. Identify which employee segments and organizational cultural attributes are needed to support the business strategy.
2. Segment the workforce to identify what motivates desired behaviors among the groups that are most critical to delivering results.
3. Use this information to customize your offerings across the talent life cycle for each pivotal group.

Effective communication and change management is designed to drive behavior. But without this foundation of cultural and behavioral awareness, the chance that your efforts will succeed decreases. Our data in this year's study indicate that organizations with this deep understanding of culture and business strategy are more likely to have better financial performance.

### Highly effective firms significantly outperform their peers

Organizations with effective change and communication are **3.5 times as likely to significantly outperform their peers.**

22%

6%

■ High effectiveness

■ Low effectiveness

High-effectiveness firms are highly effective at both communication and change management. Low-effectiveness firms are not effective in either area.

“The most successful companies actively build a culture to support and drive behaviors aligned with their business strategy.”



## Build a compelling employee value proposition and deliver on it

The EVP is the “employment deal” that includes every aspect of an organization’s employee experience — from what employees are getting (work experience, opportunities and rewards) to what they’re expected to give in return (core competencies, discretionary effort, self-investment, values and behavior).

The most effective companies excel in three areas:

- Highly effective organizations take a cue from consumer marketing to **categorize employees into meaningful groups**, based on the value of their skills/role in the organization, as well as various personal and social characteristics. They are twice as likely to take the time to understand what resonates with each group, as compared to low-effectiveness firms. Based on this understanding, they can customize their approach to create awareness and appreciation of the EVP.
- The most effective organizations **build a differentiated EVP** that cultivates the culture and behaviors they need to deliver on their business strategy. The most effective companies are three times more likely to be focused on the behaviors that drive organization success, instead of being focused primarily on program cost.
- **Manager effectiveness** at delivering on the EVP stands out among the most effective organizations. They not only explain “the deal” to their employees, they deliver on the promise. These gaps between high- and low-effectiveness companies are some of the widest in our study, suggesting managers merit extra attention in companies that have a formal EVP in place and are looking to make sure they get the most from it.

Then  
and  
now



As most large employers implemented a total rewards strategy, they looked to further differentiate themselves in new ways to attract and retain key talent. As a result, organizations began to focus on the whole work experience and the EVP, which includes pay and benefit programs, as well as professional development opportunities and work environment. In 2010, according to Towers Watson’s Talent Management and Rewards Study, only 34% of organizations reported having a formal EVP.

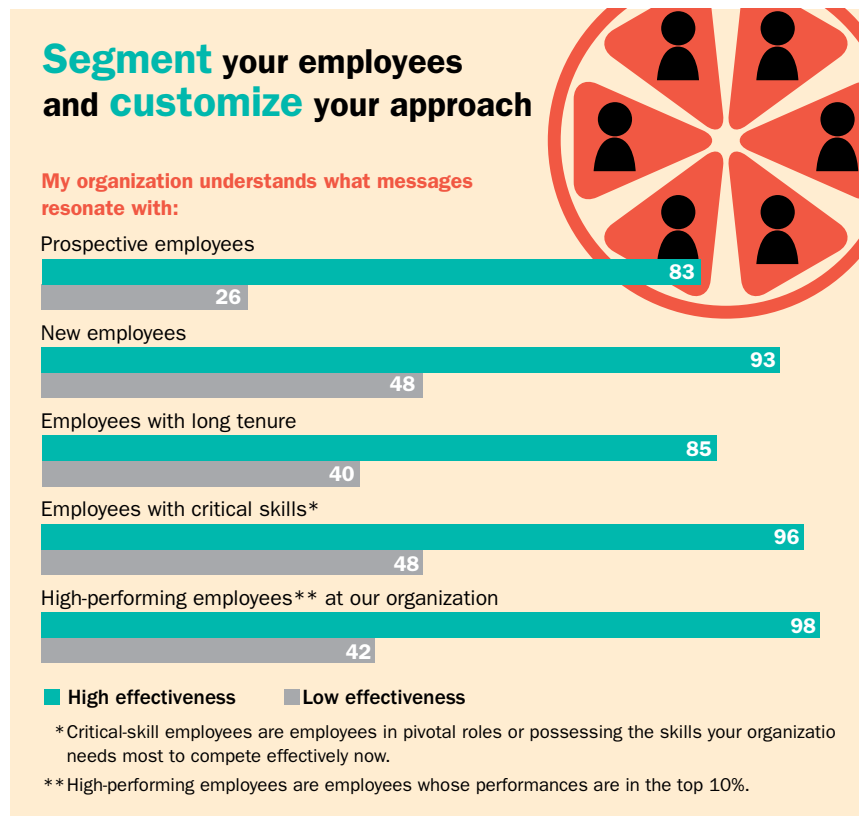
Today, the best are committed to delivering on their formal EVP. Borrowing a page from consumer marketing, they segment their population in order to determine what is most important to critical employee groups and devote more resources to them. These organizations also train managers to help articulate the EVP and embed it in their culture. Lastly, organizations that succeed in deploying their EVP are five times more likely to have a road map to guide their future EVP efforts.

### A strong EVP drives engagement and financial performance

Towers Watson’s 2013 Talent Management and Rewards Survey indicates that companies that deliver a differentiated EVP that integrates total rewards and aligns with the business strategy are five times more likely to report their employees are highly engaged, and two times more likely to report achieving financial performance significantly above their peers.

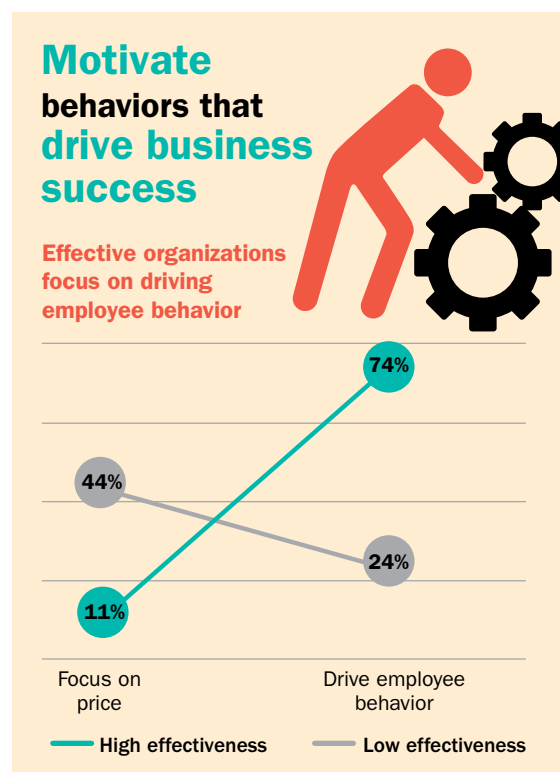


“Highly effective organizations take a cue from consumer marketing to categorize employees into meaningful groups.”



“The most effective companies are three times more likely to be focused on the behaviors that drive organization success, instead of being focused on program cost.”

“Manager effectiveness at delivering on the EVP stands out among the most effective organizations.”





## Manage change well by leveraging managers

Most change projects fail to meet their objectives. Only 55% of change projects are initially successful, and only one in four are successful in the long run.

Consistent with our findings over the last 10 years, organizations that are able to sustain change over time are those that **focus on the fundamental levers that are known to drive success: leadership, communication, involvement, training/learning and measurement.** The difference between high-effectiveness and low-effectiveness companies on these fundamentals is striking.

Overall, there has been little progress in change effectiveness. Two areas stand out as critical for organizations looking to improve change effectiveness in the future:

The best companies improve their chances at change success **by paying careful attention to their employees** in their change planning. They evaluate culture, employee readiness and the impact on their people. The least effective companies tend to ignore or give lip service to these steps and charge ahead.

**Managers can be a catalyst** for successful change — if you prepare them and hold them accountable in their role. Nearly every company provides formal training in these skills, but only one out of four companies report that their training is effective. The best companies invest in effective training so that managers can support employees, demonstrating the courage to hear and share tough feedback during times of change.



**Then  
and  
now**

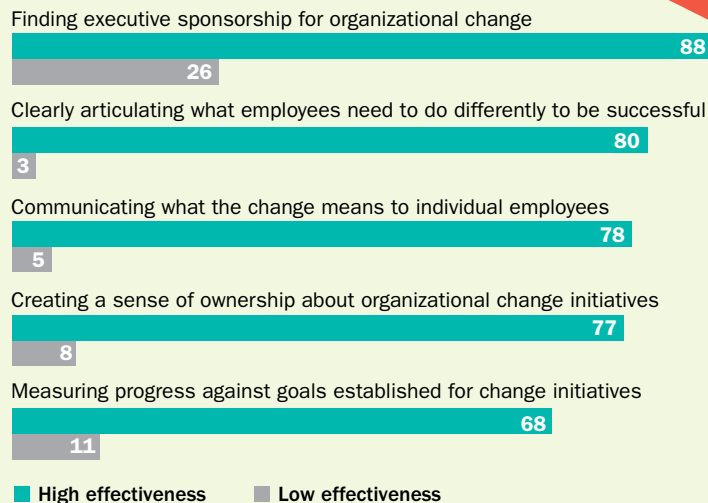
Ten years ago, most companies thought about change management as a top-down exercise. At that time, change management initiatives had a heavy focus on cascading communication and employee training.

Today, companies are rethinking their view on this top-down approach. While training remains important at all levels, successful organizations prioritize effective manager training, as well as culture and employee readiness. Unfortunately, despite generally knowing what it takes to manage change effectively, organizations are not delivering it.



## Gap in effectiveness on change fundamentals

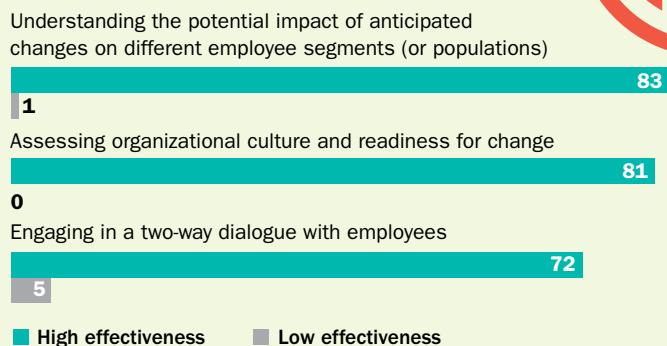
### My organization is effective at:



“Only 55% of change projects are initially successful, and only one in four are successful in the long run.”

## Understanding culture and employee impact

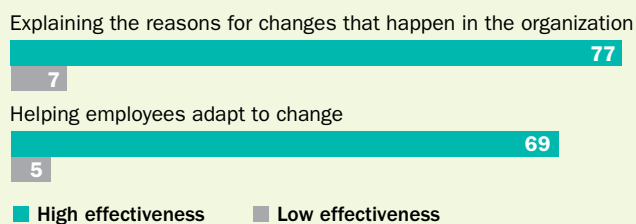
### My organization is effective at:



“The best companies improve their chances at change success by paying careful attention to their employees in their change planning.”

## Manager effectiveness at change is a differentiator

### At my organization, managers are effective at:

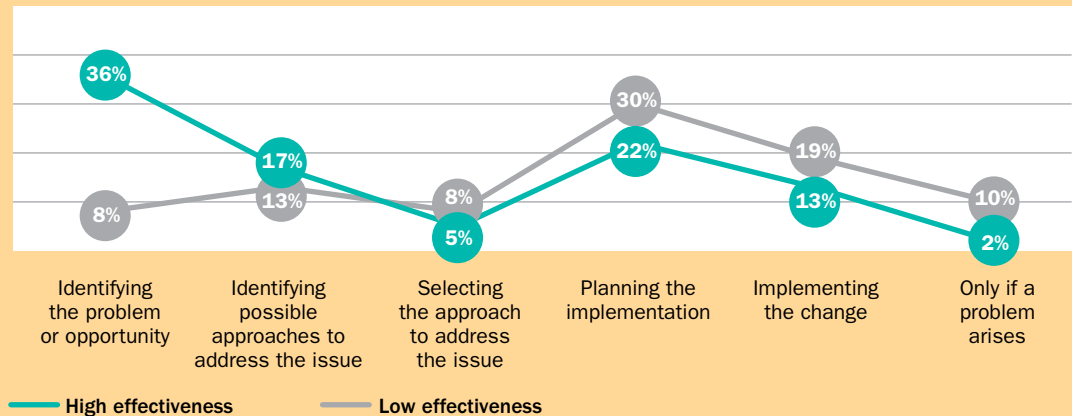


“The best companies invest in effective training so that managers can support employees, demonstrating the courage to hear and share tough feedback during times of change.”

## Effective change management is collaborative

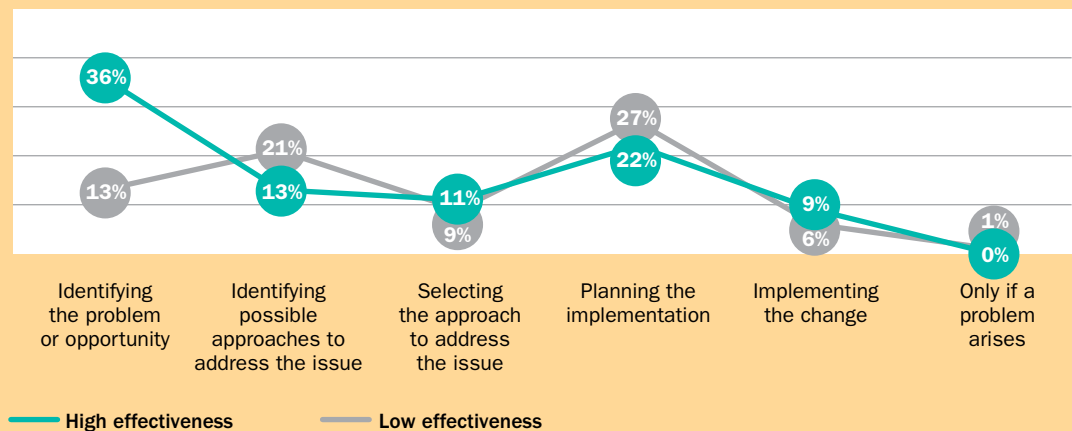
Most organizations are not involving change and communication professionals in change planning until it's time for implementation. Companies that are most effective at change management are four and a half times as likely to involve change and internal communication professionals at the earliest stage of planning — when they're identifying the problem or opportunity.

**When your organization makes changes, at what phase does the internal communication function\* first become involved in the decision-making process?**



\*Internal communication function refers to the staff within your organization that manages communication to all levels of employees. This staff may or may not also manage communication to shareholders, customers, the press or other external stakeholders.

**When your organization makes changes, at what phase does the change management function first become involved in the decision-making process?**



## Cultivate a culture of community and information sharing



Ten years ago, when we first began researching how to change behavior, we were focused on encouraging supervisors and managers to create a clear line of sight between the employee's work and the company's goals — in particular, how companies shared customer feedback. Today, while line of sight remains important, the focus has shifted from a one-way flow of information to creating a true conversation — one that creates a sense of community.

While a community is created to meet employee needs and support a collaborative culture, it also can model the behaviors needed to best serve the business. Building a shared experience also helps deepen ties with employees — particularly employees who have flexible schedules, are on the road or work offsite.

There are three areas that differentiate the most effective companies:

- These companies **understand how social enterprise tools** like Yammer or Jive and other technologies that connect people (e.g., streaming video and instant messaging) **are well suited to building community**. Despite its widespread use outside the workplace, only 56% of employers report using social media to communicate with employees on topics such as organizational culture, team building or innovation. The more employers use these tools, the more adept they become at creating a community across their organization.
- **Social media measurements matter to the most effective companies**. Organizations that rely more heavily on social media are more likely to have the required metrics in place to evaluate the cost-effectiveness of their efforts. Even among the effective organizations, however, we see less than half with tools in place to evaluate whether new media is delivering results.

Then  
and  
now



In the past, organizations focused on maintaining hierarchical work relationships, and establishing line of sight between employees and the customer. The flow of information was, for the most part, one way.

Today, tech-savvy employees are building more informal and collaborative relationships online and off. Top-performing organizations are building community — fostering the sense that employees at all levels are in it together. These organizations create the opportunity for social interaction using the latest new media technologies, display the appetite and courage to hear from employees, and establish ongoing forums conducive to collaboration rather than top-down communication. Those that do this well typically see better financial performance.

- Our data show that **effective managers may have more impact on community than social media**. The characteristics of today's effective manager include starting from a foundation of authenticity — an essential requirement for both the use of new media and building a sense of community. Our most effective companies give managers a clear mandate to build community and the skills to deliver — whether or not they incorporate the use of new media.

## Today's characteristics of effective managers

The Towers Watson Global Workforce Study shows that managers are critical drivers of sustainable engagement, which is linked to retention, productivity and, ultimately, business performance. However, only about half of the workforce reports their managers are effective at listening carefully to different points of view and working across cultural differences. As our workforce becomes more diverse and dispersed, these skills are more important than ever.

The manager of the future must contribute directly to achieving organizational goals by building on a foundation of authenticity and trust, and excelling in four areas:

- **Crafting jobs** — Understanding individual dispositions to better focus individual development, clarify job roles and foster teamwork
- **Developing people** — Building performance capability, supporting career growth and learning, coaching effectively, setting goals and expectations, and giving feedback to employees
- **Delivering the deal** — Individualizing rewards or the employee experience, and increasing engagement through both intrinsic and extrinsic rewards
- **Energizing change** — Managing change and building adaptability into individual and team performance

“Social media measurements matter to the most effective companies.”



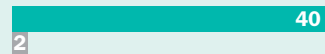
### Drive behavior through social media

To what extent do you agree with the following statements?

The use of internal social business/collaboration tools for work-related purposes has a positive impact on employee productivity at my organization

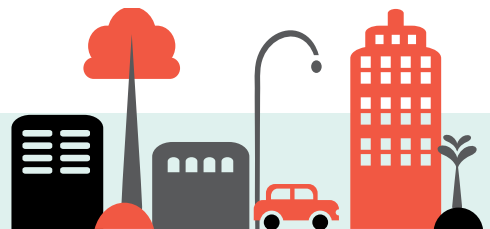


My organization has the tools in place to measure the effectiveness of our internal social business/collaboration tools



■ High effectiveness ■ Low effectiveness

“Our data show that effective managers may have more impact on community than social media.”



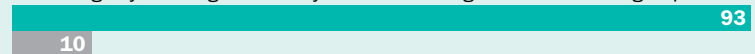
### Effective managers deliver community

At my organization, managers are effective at:

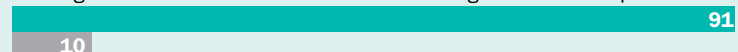
Supporting the organization's vision and values through their actions



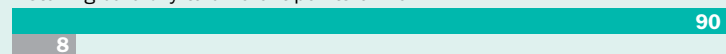
Delivering key messages in a way that is meaningful for their work group



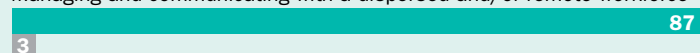
Working across cultural differences while ensuring effective work processes



Listening carefully to different points of view



Managing and communicating with a dispersed and/or remote workforce



■ High effectiveness ■ Low effectiveness



## Conclusion

### What's holding us back?

On the whole, we've come a long way over the last 10 years. But despite that progress, our findings show that organizations continue to struggle in key areas. With 10 years of data, we've learned what's getting in the way.

**For some:** It's the traditional constraints — time, money and other resources.

**For many:** Even among those who rank as highly effective, courage fails us — courage to try new approaches and challenge ourselves to step out of our comfort zone, and courage to measure progress and admit that things aren't working. Lack of courage is holding us back precisely at the time when the data and tools necessary to leap forward are becoming widely available and affordable. Those tools can provide a deeper understanding of critical employee groups and the culture needed to deliver on company strategy. They may expose past, or even current, failures as well.

**For all:** It's understanding how to effectively train and engage managers in their evolving role, and understanding how to drive the right behaviors for your particular employees and culture.

### How can we charge ahead?

Effective communication and change management programs are not for the faint of heart. Our 10 years of data show that the fundamentals of strategy, measurement and discipline still matter. To that we add courage. It's easier not to examine the impact of current approaches — yet the best organizations do just that and report what they find. New media can be challenging and something many managers fear, yet the best try new approaches to create collaboration and community, and stick with it when times get rough. Effective training to create change management and communication capabilities has continued to elude many, yet today's manager needs these skills in order to guide employee performance. It's worth the effort to change training and communication approaches, and find a better way.

If you aren't creating a differentiated EVP, you are at a disadvantage for attracting and retaining critical talent compared to your competitors. It is hard work to discern who you are and why what you do matters — but if you don't, you're likely to underperform. And while it requires hard work and discipline to create programs that resonate with your employees and drive behavior change, it's fascinating to learn what truly motivates employees, and what investments are likely to pay off in terms of superior financial performance and competitive advantage, and which can be eliminated.

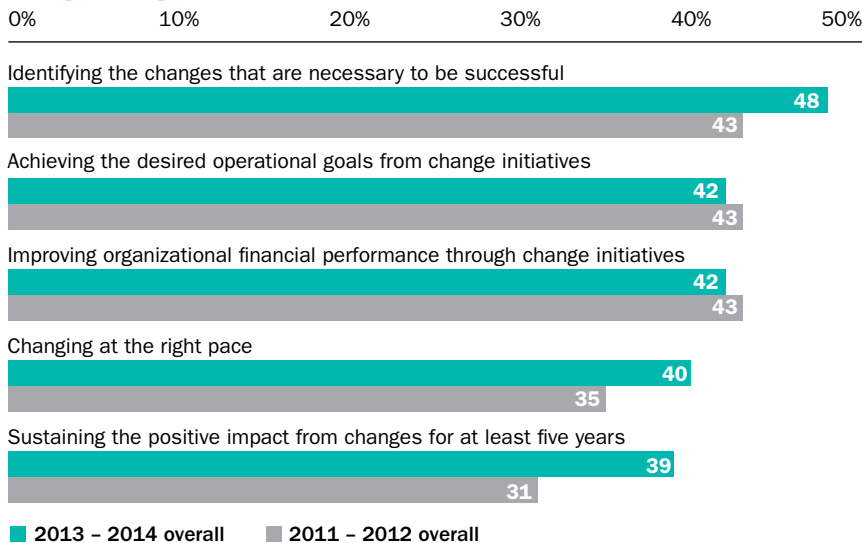
**We now look to Kathryn Yates, Global Practice Leader for Towers Watson's Communication and Change Management practice, for more insight on how to break through these barriers and unleash success.**



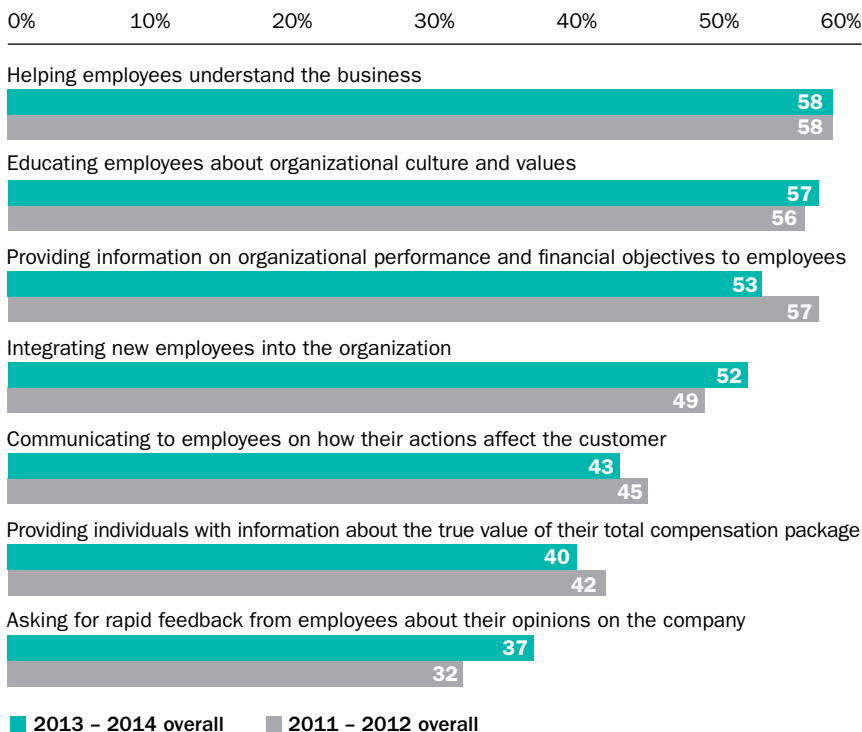
“It's worth the effort to change training and communication approaches, and find a better way.”

## About the Study

### Change management effectiveness



### Communication effectiveness



The resulting characteristics of effective communication and effective change management were developed by talking with our clients, reviewing available academic and other external research, and looking at our own experience and research. This group has consistently formed the core of our measure of communication and change management effectiveness over the past 10 years.

### Defining change management and communication effectiveness

We measure change management and communication effectiveness using the practices in the figures to the left.

Highly effective firms represent the top third of study participants, with the highest overall communication effectiveness or change effectiveness scores based on their responses to the survey items that measure these areas. Less effective firms represent the bottom third of participants, with the lowest overall effectiveness.

We group organizations into three categories based on their effectiveness at both communication and change management. The highly effective group comprises those organizations that are highly effective (i.e., in the top third of organizations) at both communication and change management. They represent 21% of organizations. The low-effectiveness group comprises those organizations that have low effectiveness (i.e., in the bottom third of organizations) on both communication and change management. They represent about 23% of respondents. The remaining 56% of organizations are the medium-effectiveness group. We then look at the financial performance of the companies in the highly effective group relative to those in the low-effectiveness group to measure the relationship between financial performance and effectiveness.



## Assessing effectiveness and performance

Since some of our participants are not publicly traded and do not have mandatory financial disclosures or share prices, we asked participants to rate how their organization performed financially compared to other companies in their industry over the past year. Where possible, we gathered financial information and confirmed that the companies that rated themselves as high performers had higher total return to shareholders, market premium and revenue per employee than other respondents. In order to conduct our analysis, we divided the participants into three groups based on their self-reported financial performance relative to their peers'. The three groups are defined as follows:

- Organizations that report performing substantially above their peer group are considered high-performing organizations.
- Organizations that report performing about the same as or slightly above their peer group are considered average performers.
- Organizations that report performing slightly or substantially below their peer group are considered below-average performers.

Using this information, we confirmed the strong link between change and communication effectiveness and higher financial performance. Companies that are highly effective at both communication and change management are three and a half times more likely to financially outperform their peers than companies that are not highly effective at either.

## Comparing high-effectiveness and low-effectiveness companies

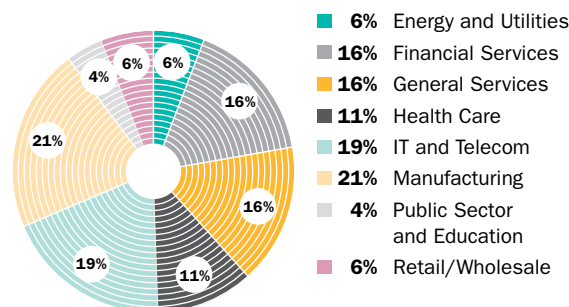
Most questions in this survey used a five-point Likert effectiveness scale. Where we compare high and low effectiveness, we are showing how many of the organizations designated as having high or low change and communication effectiveness responded to the item with a four, a five (agree/strongly agree or effective/highly effective) or a yes.

## About the participants

In total, 651 organizations responded to this survey. The participants in the survey come from a broad range of industry sectors.

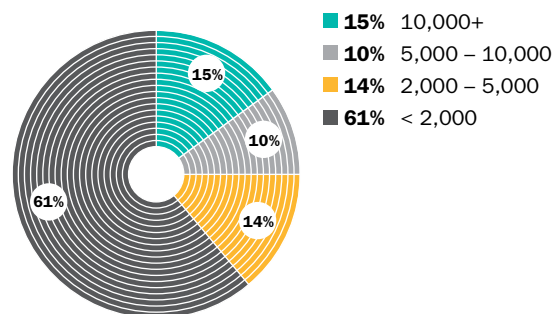
Survey participants come from a cross section of regions, with 57% of responses from Asia Pacific, 18% of responses coming from EMEA, 20% from North America and the remaining 5% from Latin America.

### Industry group



In terms of size, most respondents to the survey came from organizations with less than 2,000 employees, although one out of four respondents reported having at least 5,000 employees.

### Employer size



## 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 benefits, talent management, rewards, and risk and capital management.