

Best Employers Making the love affair last

The relationship between employee and employer is like a love affair, according to one bank CEO taking part in Hewitt Associates' 2007/2008 Best Employers Study. Like a love affair, it can be both fragile and volatile. But the good news is that employers who work at the courtship can make the love last throughout the entire employee lifecycle - despite rapidly rising employee expectations and the fierce battle for talent. The secret of their success is conscious talent management.

About 120,000 employees and 3,000 business leaders and HR professionals from 591 companies working in 12 Central Eastern European countries took part in the research to find out what drives employee motivation in the region today. The results showed that Best Employers with highly engaged teams are more successful both in achieving and exceeding business goals and attracting, retaining and motivating their key resource - talent.

THE MOST ENDANGERED EMPLOYEES

"Business leaders need to understand the natural trends in employee motivation," comments Zsolt Szelecki, Emerging Markets Leader for Hewitt. "Our study shows that employees' feelings when they join a company are similar to those we experience when falling in love. They are very engaged with their workplace and more likely to overlook imperfections. However, once this honeymoon period is over, some disappointment is almost unavoidable: after the first 12-18 months of employment, engagement drops dramatically (from 69 to 53 percent)."

This was the experience of one employee of a prominent FMCG company, who wrote: "After six months of work my 'love affair' with my company was over... Though I had been striving to get a job with this company for years, I realised that it fails to meet my expectations."

The more encouraging news is that once employees get over this critical period their engagement starts to rise again. However, it will typically take up to five years before their optimism returns to the levels experienced as new joiners. "The most endangered members of the workforce are 25 to 34-year-olds who have been with the company between two and five years," says Szelecki. "This group also holds the greatest potential as future high performers. Employers have made an enormous investment in training, coaching and orientating them - the average company spend on training per employee per year is 1400 EUR. The risk is that, before the company can reap the rewards, they will be seduced relatively easily by competitors."

DELIVERING ON THE PROMISE

Smart employers can take action to prevent this drop in engagement levels. Our figures tell us that only half of employees feel that the image of their company as an employer is consistent with their own experiences. To put it simply, employees often do not get what they were promised before they joined the company. Hewitt's research shows that as soon as the company fails to deliver on its promises, trust is undermined and engagement falls.

"It's easier to create compelling words for job advertisements than to deliver on a promise," says Rita Veres, leader of the Best Employers Study. "Companies receive an average of 2200 cvs per year even if they do not have a job opening, but this should not lead them to assume that they are in control."

UNSTOPPABLE TRENDS

A number of unstoppable social, technological and economic trends are influencing most aspects of life including the traditional employee-employer relationship and workforce or human resource management. Answers are no longer readily available to fundamental questions such as where and when work will be done and by whom. Several companies in the region report that they are struggling to recruit the workforce they need and for some roles skills shortages in the labour market are becoming critical.

Demographic trends are also sending strong warning signs to companies and some estimates predict that by 2050 every second European will be retired. Meanwhile, other, less tangible changes are shaping the labour market, too. Employees are becoming more self-confident and demanding more from the workplace. Empowered by technological and economic forces, today's workers, especially those with critical knowledge and skills, have taken the driving seat when it comes to controlling their careers.

"In these times it's crucial to redefine our value proposition to new hires as well as current employees," Veres emphasises. "It's definitely not only about money. Only 50% of companies communicate the total value of the compensation package offered, including all the fringe benefits, to all employees. A surprisingly large number fails to communicate the more tangible, financial part of the package clearly,

BEST EMPLOYERS IN CENTRAL EASTERN EUROPE 2007 / 2008

SMALL AND MEDIUM SCALE COMPANY CATEGORY			
RANK	COMPANY	COUNTRY	INDUSTRY
1	Microsoft	Slovenia	IT
2	3M	Czech Republic	Diversified Technologies and Solutions
3	Telerik	Bulgaria	IT
4	Hofmann Personal Leasing	Austria	Employment Services
5	Cisco Systems	Poland	IT / Telecommunications
6	Debrecen Heat Supply Close Company	Hungary	Heat Supply
7	American Express	Poland	Finance
8	Agrofirma Sumy-Nasinnya	Ukraine	Agriculture
8	Cisco Systems	Czech Republic	IT / Telecommunications
10	Microsoft	Slovakia	IT
11	Hilti	Slovakia	Products for Construction
12	SGI Baltis Ltd.	Poland	Building Construction, Development
13	Hilti	Czech Republic	Products for Construction
14	Colliers International	Bulgaria	Consulting - Real Estate
15	CROWN Packaging	Slovakia	Food Industry Packaging Products

LARGE SCALE COMPANY CATEGORY			
RANK	COMPANY	COUNTRY	INDUSTRY
1	Moscow-McDonald's	Russia	Food Service Retailer / Quick Service Restaurants
2	GlaxoSmithKline	Bulgaria	Pharmaceuticals
2	Logos	Czech Republic	Information Technologies
4	Market Ltd.	Hungary	Building Construction
5	Microsoft	Russia	IT
6	Microsoft	Poland	IT
7	McDonald's	Bulgaria	Food Service Retailer / Quick Service Restaurants
8	TH Megapolis LLC "TM Khortitsa"	Ukraine	FMCG
9	MARS Sales	Hungary	FMCG
10	GlaxoSmithKline	Russia	Pharmaceuticals
11	Eli Lilly	Hungary	Pharmaceuticals
12	The Central Office of PND Branch of Ukrtelecom	Ukraine	Telecommunications
13	Assarel - Medet	Bulgaria	Mining
14	Nycomed	Russia	Pharmaceuticals
15	Hewlett-Packard	Slovakia	Information Technologies

AND SPECIAL RECOGNITION GOES TO...

Microsoft, the world's best-known IT company, for demonstrating regional excellence as a Best Employer. Microsoft entered the competition in seven countries - Bulgaria, Czech Republic, Poland, Russia, Slovakia, Slovenia, Ukraine - and achieved excellent results in each country. "We know that people are the biggest asset we have,

therefore attracting talent is the number one job for everyone in the organisation," says President of Microsoft CEE Vahe Torossian. "What we try to do across the organisation is not just to attract people to join the company to take a job but to think about developing their career nationally and internationally."

either. When it comes to future employees, the situation is even worse - the majority definitely lacks a clear, compelling and differentiating value proposition."

EMPLOYEE LIFECYCLE

In line with last year's findings, 71% of senior leaders taking part in this year's study strongly believe talent attraction and retention to be the most important human issue influencing performance. Most believe that their HR functions' key strengths are learning and development and that they outperform in this area. However, Best Employers' HR functions are outperforming in a much more strategic field: skilful talent management.

Their focus goes beyond the traditional internal emphasis on keeping and motivating their current employees, recognising that the "love affair" starts much earlier. Hewitt's research shows that most companies have realised that they cannot start early enough: 63% of them are co-operating with universities.

Nor should the relationship necessarily end when they leave the company. Alumni employees can bring further business, remain avid spokespersons for the company or even decide to return with new experiences and re-engage. Only 28% of companies are currently utilising the latter option.

THE TALENT PIPELINE

Of course it is difficult to manage a seamless flow of talent, unless we are able to predict what key capabilities the business needs in the future as well as watching broader workforce trends carefully. Timing is critical. It is not enough to react to demographic trends. The talent pipeline must be underpinned by measured long-term workforce planning designed to deliver strategic business goals.

Many companies are a long way from achieving this. One in three reports that it does not have any long-term workforce planning in place and that recruitment processes are initiated on an ad-hoc basis when an employee leaves or business needs arise. Half are running a significant business risk by failing to have a strategy in place for replacing key people if they should leave the company. In contrast, Best Employer award winner Microsoft takes a conscious approach to workforce planning with a firm focus on the future. "We already have a very good idea where the organisation should be in two to three years'

time and we have mapped out the workforce requirements to reach our goals," explains Microsoft CEO Vahe Torossian. "We need to have the right number of people with the right skills and the potential to stretch themselves to meet our future requirements". What does that mean in reality? A senior member of the Hungarian management team - lead of Microsoft CEE Services Division - said, "Just two months after I took my position, my CEO asked me if I had thought about who my successor could be. At first I was really surprised but then I realised this is all part of managing a seamless flow of talent."

STAYING ON TOP

The fact that Best Employers generate 24% higher than average shareholder revenue is one indicator of the value of building long-term engagement with employees. There are other benefits, too. Best Employers' employee turnover figures are 15% lower than average, they receive four times more cv applications and the average number of absence days is 45% lower (4,8 instead of 7 days per year per employee).

As the talent war continues, attracting the best talent can be just as challenging as retaining employees long-term, and in this area word of mouth can help enormously. Employees of Best Employers are "real ambassadors" for their workplace, with 26% more employees saying that they are happy to recommend their company to their friends seeking employment.

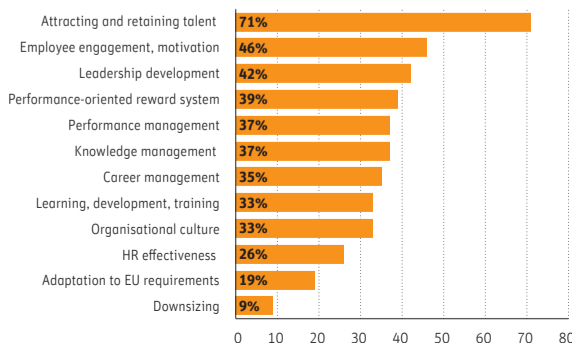
One study participant who would support the theory of the lasting love affair with the workplace is an employee of Medvešek Pušnik who commented: "I go to work every morning so happy that I do one metre long steps...I leave my job every day with pleasure too, but I only do half-metre long steps. Oops... I hope my wife will never get to know this."

ABOUT THE HEWITT BEST EMPLOYERS STUDY

This extensive study was conducted by Hewitt Associates in 2007/08 in 12 Central Eastern European countries: Austria, Bulgaria, Croatia, Czech Republic, Hungary, Slovakia, Slovenia, Turkey, Poland, Romania, Russia and Ukraine to find out what drives employee motivation in the region. Almost 120,000 employees and 3,000 C-Suite leaders shared their points of view about their workplaces and HR professionals from 591 companies gave information on their current HR practices. Participation was free and voluntary. Any company which has been functioning for at least two years and employs more than 50 people could take part. All questionnaires were handled by Hewitt, maintaining confidentiality in data gathering and processing. In line with Hewitt Associates' international assessment standards, rankings for Best Employer are based on an objective evaluation of participant companies. Two-thirds of the score comes from the opinions of employees and the remaining third is determined by an alignment index based on a joint analysis of several factors: business strategies, HR strategies, knowledge about employee opinions, effectiveness of internal communication and synergy of particular systems and procedures. Hewitt announced Best Employers in two categories in line with the European Union's recommendation: small and medium scale companies; and large scale companies.



HR priorities over the next 3-5 years: the CEO's view



Solutions implemented to avoid talent shortage due to demographic changes (Percentage of companies)

