



EQUINITI

Employee Experience

Making an HR
business case that
CFOs can relate to



Improving employee experience

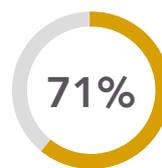
Employee experience (EX) is pivotal in enabling firms to thrive in today's highly competitive, global economy. Progressive and more successful organisations are moving away from a narrow focus on employee engagement and culture, and are instead focused on understanding and improving the EX.

The UK Government is also pushing EX up the agenda with its proposed reforms to corporate governance. Central to these reforms is ensuring employee voices are heard in the Boardroom by encouraging greater awareness and discussion of workforce matters at Board level.

Understanding and improving EX is critical for companies striving to be an employer of choice in today's talent hungry and talent short economy. A strong employee experience drives a strong customer experience as well as having a significant impact on a company's bottom line.

71 per cent* of CEOs say human capital is a key source of competitive advantage (HBR), yet HR often struggles to secure technology investments. People are a firm's biggest asset and biggest cost. In an era of big data, firms should invest in using data about their biggest investment of all. People insights need to play a part in every business decision. On average, talent deficiencies undermine business strategy 40 per cent of the time (PwC).

It's time for change.



71% of CEOs say human capital is a key source of competitive advantage yet HR often struggles to secure technology investments

What are the components of EX?

EX brings together all the workplace, HR, and management practices that impact people in their job.

In HR terms, that means higher productivity, happier employees, lower staff turnover and a better talent pipeline
 In CFO terms, the best organisations for employee experience deliver:

4X

more profit per employee

3X

higher revenue per employee



of stock return competitor outperformance per year



lower staff turnover

EX components



EX in practice





How is EX calculated?

EX is an everyday experience and needs to be calculated as such. It is the sum of many integrated parts that all pull together to create a tangible value to a company's productivity and profitability.

$$EX = \sum (\text{brand perception} + \text{recruitment experience} + \text{induction} + \text{everyday experience} + \text{reviews} + \text{learning} + \text{career development} + \text{exit}) / 365$$

Calculating brand perception

Brand perception is owned by current employees, past employees and prospective employees – as well as customers, investors and other stakeholders. It is not owned by the company.

A company's perception of its own brand is also often different to reality. And it is everyone else's view that is paramount. That is what carries weight. We live in a world of fake news and where disgruntled employees have an unchecked platform to express their views. This is today's reality and firms need to work hard to also encourage happy employees to share their experiences and views. The more reviews you get, the closer to reality the average will be.

Today's workforce learns about your brand from many different channels including social, the media and word of mouth. Sometimes the loudest voice can create the perceived reality. 64 per cent of UK candidates will actively research prospective employers on sites such as Glassdoor (Deloitte). Furthermore, 79 per cent of women and 61 per cent of men would not apply to a company that had a bad reputation (CareerBuilder).

You must deliver on your brand promise across all points of engagement in order to deliver sustainable results. After all, employee morale is reputation capital. To determine a quantitative score, it is important for firms to benchmark brand perception and work hard to improve that score using a suitable community or marketplace benchmark – so, what is your Glassdoor score?

Calculating brand perception

According to the Society for Human Resource Management, employers can spend 6-9 months of an employee's salary in order to find and train a replacement. This is a significant cost to the business, as is the loss of productivity. These are weighty numbers and talent gaps can be highly visible, yet HR budgets can be unduly skewed to such areas and so it is worth applying caution to budget allocations in this part of EX.

Equiniti, in partnership with Employee Benefits magazine, conducted a major survey of HR executives earlier this year. Of those companies spending budget on induction, it accounted for nearly half of HR budget.

EX, all day, every day

Pay is only a single dimension of EX. EX is about much more than pay. Today's workforce is made up of four generations, meaning that an ideal EX for one generation is unlikely to resonate as well with another. This multi-generation workforce therefore brings with it a completely unique dynamic to delivering EX that can resonate with all. Today's employees expect multi-channel communication, access to information that is relevant to them, as and when they want it.

The Millennial curve ball

Millennials are now the single largest set of employees and, for them, financial wellbeing means something different than it did for previous generations. Millennials tend to do many things differently to how their parents do. This impacts both how they spend and how they save.

According to the Institute for Fiscal Studies, millennials have 50 per cent less net wealth of Gen X. They are more likely to prioritise saving for a short term goal, such as a holiday, over long terms saving such as a pension. The whole concept of life goal saving can seem so futile that they embrace the #yolo lifestyle – that's 'you only live once' for those not in the know.

According to recent research from market research institute, GfK, UK millennials rate travel as a higher financial priority over the next five years compared to saving for a home or car – or even paying off debt.

All of this suggests millennials are storing up future financial problems, even while they are experiencing near-term financial struggles. Financial planning is therefore an essential aspect of EX.

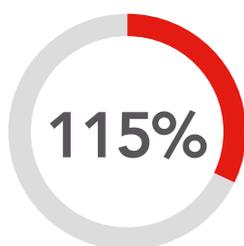
Digital natives

Millennials grew up on the internet and so want to be able to do everything online, on demand. They use multiple communication devices and expect information when they need it to be available on smart phones, tablets and not just in the office.

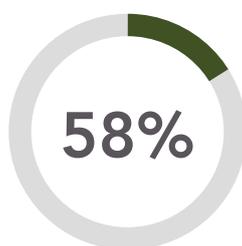
Younger workers want to have the time and space to actively investigate and learn self-sufficiently – they like to crowdsource information and opinion. Education and information also needs to reflect the fact that their attention span may be less than previous generations.

Millennials are also used to buying products and conversing online when outside work in real time, so they don't understand when internal business processes aren't as automated as they could be, why they are cumbersome or frequently go wrong. This equates to giving them a EX i.e. a poor customer experience.

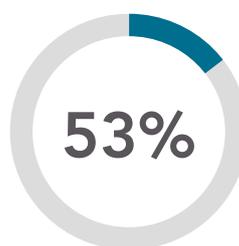
Average percentage spend of HR budget per EX atage



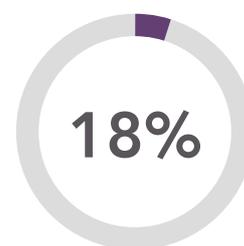
Induction



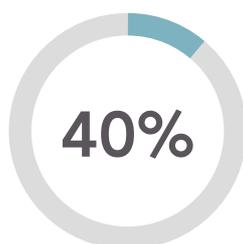
Retirement Saving



Attraction



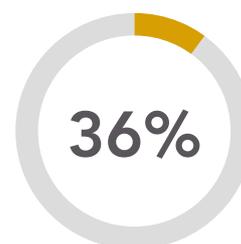
Retirement Planning



Career Progression



Recognition



Wellbeing



Learning and Development

Growth and career advancement is nearly always in the top three when it comes to what millennials want at work. They care – a lot – about it and so firms need to embrace this focus as part of the overall EX. Today’s employees are ambitious and confident. That said, today’s employees can also see the value in having coaching, so mentors are an invaluable resource.

While work is part of everyone’s life balance, millennials also want to experience the world and eventually learn to be good parents, so give them and their families the freedom to make this happen. Areas that are important to this generation are paternity and maternity values, flexible working and sabbaticals.

By giving younger workers the time and space they need, they will actively investigate and learn self-sufficiently. This freedom and ‘push and pull’ approach to learning and development makes employees feel valued and reflects strongly on their overall EX.

Reward and Recognition

This is personal. With four generations in the workforce, no-one expects to have a reward structure and benefits that

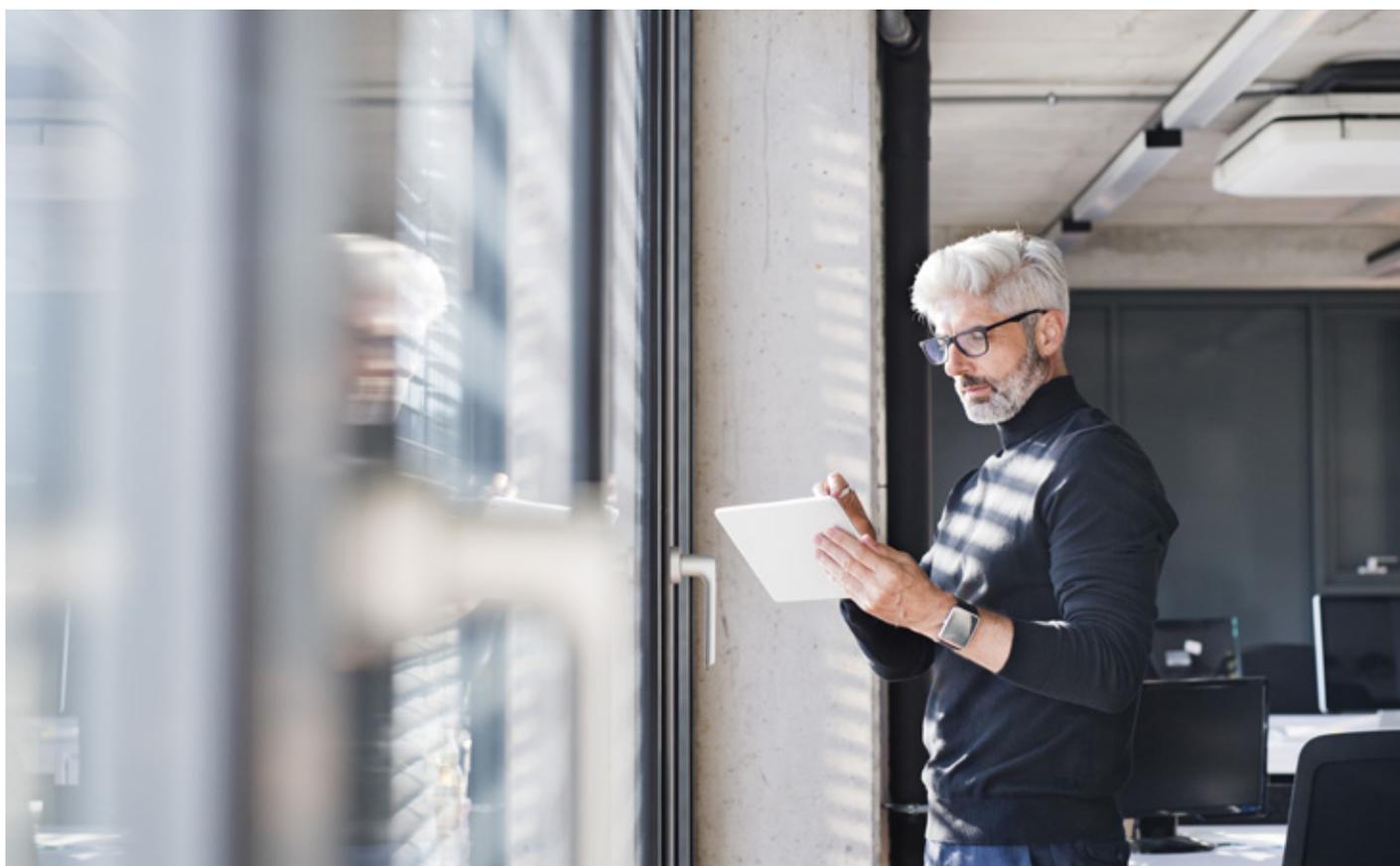
are the same for everyone. Each wants to have the ability to make their own choices and choose benefits that are most appropriate for them. This means that materials and communications need to be personalised and not generic.

A total reward statement is typically seen as a good way to bring alive the sum of all the parts that make up the employee package – it is also a powerful way for your teams to understand the impact of different choices.

It is worth noting recent research from Bersin by Deloitte tells that only 17 per cent of employees believe their managers are effective in recognising them well. This points to a fantastic opportunity to improve this area of EX.

The research further identified that companies that scored in the top 20 per cent for building a ‘recognition-rich culture’ had 31 per cent lower turnover rates. According to Glassdoor, more than 80 per cent of employees said they were motivated to work harder and stay at their jobs longer when they received appreciation for their work.

Reward and recognition is somewhere that firms can really make an impact on EX.



Retirement or Exit

This is probably one of the biggest areas for focus for EX. Simply put, it needs to be a fond farewell whether it is an existing employee or a retiree. This is a great opportunity to build true advocacy. Firms need exiting and retiring employees to recommend the company to others. Too often, this group makes up the biggest group of naysayers.

It all brings us back to brand perception and communities talking about the firm. It has to be much more comprehensive than the exit interview. Would a gap analysis of employee experience data provide a more balanced and non-confrontational view? Are the headline reasons why employees are leaving being acknowledged and addressed across the firm?

There are some leaver stats that seem to have been around for a long time. For example, that up to 80 per cent of an individual's engagement level comes from their relationship with their direct line manager and 50 per cent of leavers leave to 'get away' from their manager.

No employee benefit, communication tool or recognition scheme can compete with that.

What of retirees? As your valued employees leave the workplace and enter the decumulation investing stage, it is important to ensure they are well prepared for this next stage. Employers who provide assistance in preparation for this significant change will generate a tremendous amount of good will.

Conclusion

EX brings together all the workplace, HR, and management practices that impact people in their job. It is a journey that demands partnership and honest evaluation.

As we stated at the start of this report, EX is pivotal in enabling firms to thrive in today's highly competitive, global economy. Become one of those progressive and more successful organisations and focus on understanding and improving the EX.

Interested in learning more? Contact us to learn how our ROI modeller can support your budget case.



EQ Paymaster works with the UK's public and private sector schemes and the Life and Pensions sector to manage complex administration and payments. Our division covers pensions, payroll, rewards and benefits, and payments. Our solution-based approach provides an interactive experience through the lifetime of employees and scheme members, and enables our clients to free up resource to focus on their core business.

We support employers, trustees and members throughout. For employers and trustees we support establishing, running and, where required, winding-up or closing scheme. We help manage risk, whether this be associated with data quality, regulatory or financial risk.

For more information please contact:

Andrew Woolnough
Director, Employee Platform and Engagement
Telephone +44 (0)7484 505 021
andrew.woolnough@equiniti.com

EQUINITI

equiniti.com



[linkedin.com/company/
equiniti-pensions](https://www.linkedin.com/company/equiniti-pensions)



[@EquinitiPension](https://twitter.com/EquinitiPension)

Copyright (c) 2017 Equiniti Ltd.

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher.