

Purpose, certainty and modernized total rewards in an era of disruption

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There are those who say the Earth (or at least the business world) shifted on its axis the day that BlackRock's Larry Fink issued a letter to CEOs of the firm's investment portfolio suggesting unequivocally that without a sense of purpose no company can achieve its full potential. Ultimately, he said, it will deliver subpar returns to investors without purpose. Fink's statement sent a ripple through boardrooms, raising the question to C-suite leaders as to whether purpose was defined, articulated and understood within their own organizations.

Around the same time, a number of data points emerged suggesting that early-career entrants (as well as many of their more tenured peers) were seeking greater certainty in the increasingly uncertain world in which they lived and worked. Surprisingly to some, the newest entrants into the workforce define "certainty" for themselves in terms such as having access to health care, retirement plans, competitive salary and a boss they can respect. Those same new entrants also cite a sense of purpose as being important.

As organizations consider their future workforce needs and move to modernize total rewards and improve the well-being of their talent, the two principles of purpose and certainty help establish a foundation for key aspects of their human capital strategies.

Purpose and certainty. How do they relate in an era of disruption, when speed, agility, tolerance for ambiguity, digital adaptation, organization transformation and dynamic change are paramount? What role do employers have in fostering purpose and certainty?

The connection is quite straightforward: Companies that are purpose-driven and offer their employees a sense of certainty in the current environment are at an advantage over those that do not. Companies that emphasize the value of individual purpose demonstrate that well-being, psychological safety and personalization not only matter, but also lead to improved engagement. And this all is happening in a time when culture and "healthy company policies" are top of mind for HR (as well as legal and compliance functions). Research has long established that engagement leads to productivity, and productivity leads to business performance.

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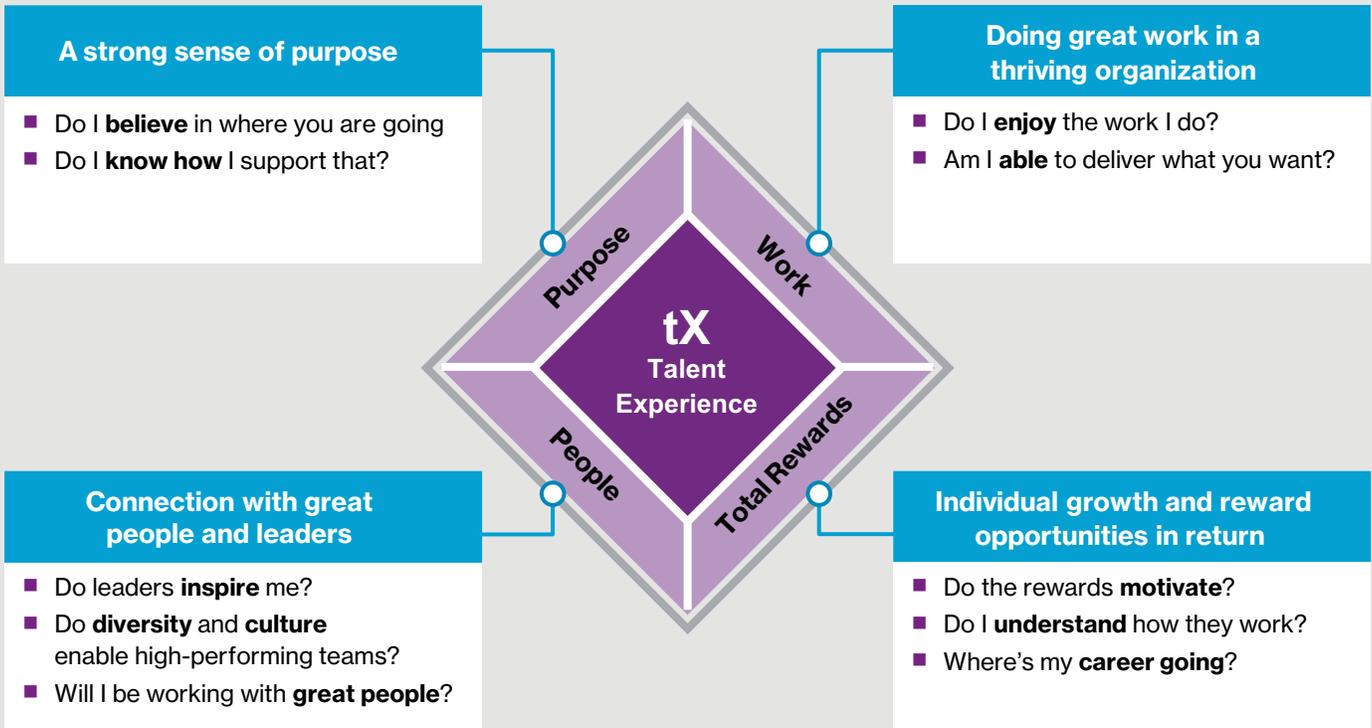
A subsequent BlackRock report further validates the correlation between purpose and employee engagement: "Companies that can better articulate their purpose are more likely to build strong relationships with their employees (and customers), and have a clear sense of their strategic objectives. These are essential components of long-term growth. Employees who do not feel valued by their organization are generally less productive or more likely to leave. Product quality and reputation can suffer when employees are not fully engaged and supportive of the company, its business and goals."

BlackRock's focus on purpose is grounded in data that suggest that purpose-driven companies outperform market peers – a fact further supported by The Conference Board's "2018 Global Leadership Forecast," which reports a 42% performance differential between purpose-driven companies and the market.

BlackRock's March 2018 investment stewardship report on engagement in human capital reports that:

Research has consistently shown the importance of human capital to company performance. Companies included in Fortune magazine's "100 Best Companies to Work For" lists earned, over the long-term, excess risk-adjusted returns of 3.5%. Another report surveyed a multitude of studies on human capital and found that there is a positive correlation between human resource initiatives and investment outcomes such as total shareholder return, return on assets, return on earnings, return on investment and return on capital employed. A survey concluded that companies that had a workforce that was not engaged had an average one-year operating margin below 10%; however, those that consistently promoted workers' well-being had an average one-year operating margin of 27%.

Figure 1. Connecting purpose with the talent experience and talent value proposition



Source: Willis Towers Watson

Willis Towers Watson research validates this supposition, showing that companies demonstrating best practices relative to the talent experience are:

- Three times as likely to report employees are highly engaged
- 93% likelier to report significantly outperforming their industry peers financially.

As *Figure 1* shows, these human capital practices connect:

- **Purpose:** “Do I believe in where we are going?”
- **Work:** “Do I enjoy and find meaning in the work that I do?”
- **People:** “Do leaders inspire me? Do I have a good relationship with my manager? Will I be working with great people?”
- **Total rewards:** “Do the rewards motivate me and do I understand how they work?”

The purpose component requires alignment between the organization’s and the individual’s purpose. While organization purpose is different from individual purpose, for the employee to be engaged, organizations must have a clearly defined sense of purpose (i.e., purpose statement) to ensure individual understanding and meaningful overlap. (See *Figure 2*.)

Figure 2. Organization purpose, individual purpose, and engagement



Source: Willis Towers Watson CHRO Thinking Ahead Group

Organizational purpose is defined as the reason businesses exist. Individual purpose for work is defined as the reason individuals choose what they do for a living. In general, engagement occurs when individuals connect their own purpose to organization purpose by addressing, “Why is the work I do important?”

“Employees should find the purpose inspirational and motivational,” according to Sheila Margolis, president of the Workplace Culture Institute. “It is the cause that defines their contribution to society through work.”

Individual purpose for work is a function of many factors, but generally includes answers to questions such as:

- What do I want from my job?
- How can I make a difference?
- What do I want to change?
- How can I make an impact?
- What is my mission?
- Who inspires me?
- How can I inspire?
- What learning and development do I need?
- Where do I want to go?
- How can I contribute to organizational growth, and what do I want in return?

In our ever-changing world, individuals increasingly are looking for purpose and meaning in their lives – frequently through their work and workplace. Purpose helps define individual meaning and can be a motivating factor in the daily lives of employees.

In his book *On Purpose*, Victor J. Stretcher wrote that Google searches for the phrase “purpose in life” have, adjusting for volume, more than doubled since 2008, as have the number of research studies related to it.

When individuals can define their individual purpose – or when their purpose feels validated by a particular experience – they are more engaged.

Purpose also can lead to accountability, which can have a meaningful effect on employee productivity. “Purpose and passion leads to accountability,” suggests author [Sam Silverstein](#). “An individual will be their most accountable self when engaged with people they like and trust, participating in

activities that are aligned (with their values). People who value service will do anything to make sure a customer is happy. Service is their reason for existing. Accountants who value detail will be at their very best when making sure the numbers are correct to the penny. Engineers that value precision will make sure a product is designed to perfection. Working in their passion, based on what they value, allows people to be at their very best both for themselves and others around them.”

Consider [a study by the Global Wellness Institute](#) that reports the emotional well-being of the world’s workers is declining, with about 40% of workers suffering from excessive stress and 25% actively disengaged at work. Living with a purpose means living longer: [In a longitudinal study by Patrick Hill and Nicholas Turiano](#), the researchers found that people living with a purpose have a 15% lower risk of death in the next 14 years. Willis Towers Watson’s research results are consistent: Employees who report suffering from physical and financial well-being issues are twice as likely to be disengaged and three times as likely to experience stress than those who do not face such issues. As such, a little more than 70% of companies reported that the emotional well-being of their workforce is an important focus in the next three years.

But, how can companies expect an increase in well-being with so much uncertainty facing the world today?

As it turns out, part of emotional well-being includes a feeling of security. Companies that can create a greater sense of certainty for their employees – as well as a sense of individual purpose – have a competitive advantage in hiring, retaining and engaging over those that cannot. According to Willis Towers Watson data (see *Figure 3*), the top driver for attraction for U.S. new hires is base salary, indicating workers continue to seek stability over more risky forms of pay (e.g., bonuses, equity). Second comes the combination of health and retirement benefits, indicating a desire for greater security in managing health-care costs and conditions as well as financial fitness. Third is job security.

Figure 3. **Top drivers of employee attraction**

	 Employee view	 Employer view
1	Base pay/Salary	Organization’s missions, vision and values
2	Health and wellbeing and retirement	Challenging work
3	Job security	Opportunities for career advancement
4	Opportunities for career advancement	Reputation of the organization as a great place to work
5	Vacation/Paid time off	Ability to have a real impact on the organization’s performance

Source: Willis Towers Watson Global Workforce Study, U.S. Data

Unfortunately, companies are still not fully understanding these priorities, as employers continue to cite other factors as being most important to employees, with base salary, benefits and job security not making their top-five list.

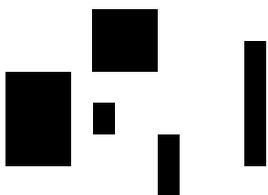
Purpose without security is less compelling to today's talent than is purpose with security.

The good news is, employers are getting the message about purpose (of the employer-cited drivers of attraction in Figure 3, an organization's mission, vision and values is listed as No. 1). However, as the figure also shows, employers aren't yet understanding the corresponding message about programs associated with increased certainty being particularly important to employees in the current disruptive environment. Said differently, purpose without security is less compelling to today's talent than is purpose with security.

The other good news is, the actual actions of employers reflect a broader appreciation of this dynamic. 74% of U.S. employers recognize financial issues have become more important for employees in the past two or three years, according to Willis Towers Watson research. Almost the same number have agreed to take an active role in encouraging employees to better manage their personal finances (and to consider tools to help them). Employer confidence in offering health-care benefits in the next 10 years continues to grow. Consider:

- 68% of employers are very confident they will continue sponsoring health-care benefits in 10 years.
- 96% of employers are very confident they will continue sponsoring health-care benefits in five years.

Employers are finding that when they can combine purpose and certainty, they increase employee attraction, retention, engagement, well-being, productivity and financial performance. Which practices have evolved organizations figured out in this calculate exchange? (With the concept of the evolved organization being defined in a [March 2018 Workspan article](#))



Practice 1: Clearly articulate organization purpose

Most organizations have purposes that create a broader societal benefit beyond profit, be it saving lives through developing new drugs, creating vacation memories, allowing people to travel great distances inexpensively, making other companies or markets more successful, providing nourishment or powering cities. It is particularly important to articulate such a purpose in the current environment, as it helps create meaning and clarity for employees.

Practice 2: Encourage employees to articulate their individual purposes and link to organization purpose

Most employees also have individual purposes that go beyond earning a paycheck or keeping a job. Companies have found it powerful to help their talent discover and/or articulate these purposes, and to highlight how they connect with the organization's purpose. There are several basic exercises or facilitated sessions that can help.

Practice 3: Modernize total rewards strategy and ensure programs support purpose

Organizations have a real opportunity to align their total rewards strategy and programs with purpose. If the organization's purpose, culture, values and total rewards are not aligned, employees will feel this disconnect and engagement levels (as well as subsequent otherwise positive advantages of engagement) will suffer. Companies can use their talent value propositions to articulate these meaningful connections, underscoring the value the organization places on each in support of the overall talent experience.

Practice 4: Modernize total rewards design using total rewards analytics to increase certainty in an uncertain world

Organizations also have an opportunity to use analytics to better understand the priorities and preferences of their individual talent. In turn, organizations can design programs that provide increased certainty (and well-being) through different vehicles such as health and wellness benefits; retirement benefits; physical well-being tools; financial fitness tools and financial well-being programs; and competitive pay levels with the right pay mix. Through personalization, choice and other factors that make programs more relevant to participants, companies also can ratchet up the sense of security and relevance that employees perceive.

Practice 5: Make the future of work come alive through role design, career journeys and skill enhancement to increase individual security and purpose

While automation and the Gig Economy have unsettled some workers and made many feel that job security is obsolete, companies can increase career security by better equipping talent to manage and thrive in the new environment. Organizations are increasing long-term employability and certainty for their workers by:

- Creating roles around individuals with critical skill sets
- Introducing the notion of “horizontal promotion” to supplement vertical promotion
- Replacing career paths with career journeys
- Upskilling and reskilling workers.

As organizations evolve, this approach also ensures that employers are grooming talent in real time, in the same changing environmental conditions, and going through the disruption together for mutual benefit and outcome.

Practice 6: Link purpose, certainty and emotional well-being through practices of ‘healthy companies’

For decades, companies have offered formal mental and behavioral health programs for acute and chronic conditions. Today, evolved organizations also are connecting purpose and emotional well-being with structured programs that include:

- “Well environment” practices (e.g., codes of conduct, compliance, workplace and social rules that underpin values; anti-harassment/bullying; psychological safety; physical safety; authenticity; respect)
- Commitment and action relative to inclusion and diversity
- Links between individual purpose and the work people are doing
- Culture of empathetic, inspirational leadership
- Flexible work arrangements, work groups and collaboration
- Individual recognition, including recognition “at home” to benefit partners and children (e.g., messages sent to the home to raise awareness of contributions in the workplace)
- Growth mindset (i.e., evolving with purpose).

Further, as companies align emotional well-being with purpose and certainty, they also are experiencing the benefits of adopting a more integrated well-being mindset that includes financial, physical and social pillars.

Practice 7: Recognize how the role of purpose, recognition and personalized messaging can positively affect at-risk talent groups

Organizations are faced with increased talent pressures relating to building out their future workers and leaders, fostering an inclusive and diverse workplace, and engaging and retaining key talent in an increasingly competitive landscape. In many ways, this represents the perfect storm for organizations to focus on individual purpose and meet key talent groups (e.g., high-potentials, mid-career females, at-risk leaders) where they are.

While organizations implement programs focused on leadership acceleration for next-generation and under-represented groups, they cannot solely rely on these programs to create a sense of individual purpose or increase engagement levels. And, unfortunately, in many cases these programs can backfire and have an adverse effect on key talent when individuals are overlooked or not selected for a particular opportunity.

While this reality creates additional pressure even for organizations with the right intentions, evolved organizations go one step further. They emphasize individual purpose for key talent and respond with personalized communication, individual recognition and meaningful opportunities to demonstrate that “we are listening.” Many evolved organizations also have adopted reverse mentoring programs as an opportunity for later-career talent to learn from and be inspired by early-career talent – and this helps at-risk groups in both populations.

Practice 8: Build an effective and inspirational leadership culture that is in touch with the changing tide

Organizations are looking to create a more innovative and dynamic growth mindset as they make their way through ongoing disruption and uncertainty. This means adjusting to significant changes in the way work gets done, the required talent to do so, and the inclusive, diverse and collaborative environment necessary. Organizations cannot thrive – let alone sustain this degree of change – without resilient yet agile leaders who are willing to take risks while bringing authenticity and empathy to their teams.

Some experts label this as being a courageous and inspirational leader. It's described by Procter & Gamble CEO A.G. Lafley in a [recent article](#) as a journey that is "perilous, compelling and exhausting." Author Nancy Koehn suggests, "it also is some of the most satisfying (work) one can do, and it could not be more important today." As Koehn, author of *Forged in Crisis: The Power of Courageous Leadership in Turbulent Times*, writes in the article "The Leadership Journey of Abraham Lincoln":

Like the turbulent Civil War that Lincoln found himself at the center of, the early 21st century cries out for effective, decent leaders. People of purpose and commitment who want to make a positive difference and who choose to rise: first within themselves, by claiming their better selves, and then on the larger stage, by staking out the higher ground.

Practice 9: Focus on digitalization and the talent experience

Given the speed at which talent has access to communication and messaging (and how quickly messages change), evolved organizations have deployed the same sophisticated consumer-grade messaging techniques they use for their external customers with their talent. They put it all together to connect purpose, values, culture, total rewards, careers, colleagues and security in a routine and integrated set of messages that is personalized and meaningful.

They know the medium also can be the message. This integrated approach tends to include touch points that meet talent where it is and includes combinations of posting, blogs, social media, apps, direct-to-text, signage, links, email, mailings – by the means that are most relevant to the

recipients. This typically means tailored messages delivered through multiple formats that can reach individuals in real time and act as additional reminders of both organization and individual purpose.

Given the diversity of purpose and workforce characteristics of the companies in today's dynamic global ecosystem, the approach to connecting purpose and increased certainty with an organization's culture, total rewards programs, work and people – and underscored by leadership – reflects the organization itself. Regardless of the approach, not long ago many business leaders held the perception that purpose and profitability often ran at odds with one another. To the contrary, today's evolved business leaders have found just the opposite to be true.

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