Leveraging Opportunities for a Sustainable Reset
Willis Towers Watson Webcast

May 29, 2020
Today’s discussion

- Level set: Sustainable reset
- Supporting work and rewards considerations
- An employee experience to meet current and future needs
- Workforce actions to support the reset
- Questions and answers
The journey

Key Stages of Action

1. Managing through the crisis
   - Initial reaction and adaptation in key areas, followed by a period of sustaining operations, leading to a continuous cycle of additional reaction, adaptation, and sustaining as more is learned and conditions change.

2. Restoring stability
   - Resetting and reimagining operations under new assumptions, protocols, focus areas, and pace.

3. Operating post-crisis
   - Achieving sustainable operations and business model, and redefining what normal means in the new environment.
Today’s speakers

Emory Todd
Human Capital and Benefits

Ravin Jesuthasan
Work

Jill Havely
Employee Experience

Alex Weisgerber
Rewards

Dave Suchsland
Workforce Transitions
# A perspective on the future

## New Watchwords

<table>
<thead>
<tr>
<th>Resilience</th>
<th>Portfolio approach to work</th>
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<tbody>
<tr>
<td>Flexibility</td>
<td>Flexibility to reduce risks</td>
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<tr>
<td>Agility</td>
<td>Agility through distributed decision making Collaboration beyond the organizational boundary</td>
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## Sustainable Reset

### The great dichotomy

**for workers**
- A quest for certainty and stability

**for companies**
- The promise of continued relevance and clarity
Challenges and opportunities COVID-19 presents for how we need to work today and beyond

<table>
<thead>
<tr>
<th>1</th>
<th>Responding with agility</th>
<th>20%</th>
<th>redeploy (and potentially reskill) workers to support another function</th>
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</thead>
<tbody>
<tr>
<td>2</td>
<td>Leaning into the broader ecosystem</td>
<td>63%</td>
<td>borrow or lend talent to another organisation</td>
</tr>
<tr>
<td>3</td>
<td>Virtualising work and its implications</td>
<td>57%</td>
<td>shift when work is done and where it is done</td>
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<tr>
<td>4</td>
<td>Digitalisation and analytics</td>
<td>48%</td>
<td>automate certain aspects of work to streamline and/or increase productivity</td>
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<tr>
<td>5</td>
<td>Adjustments to reflect new protocol post-COVID 19</td>
<td>74%</td>
<td>touchless payment systems, offering of certain service via video vs in person, spacing out work on assembly lines, etc.</td>
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</tbody>
</table>

Sources: Willis Towers Watson Readiness Plans for Resetting Business Operations survey of 514 global employers, April 22, 2020
Willis Towers Watson 2020 Returning to the Workplace Survey of 681 global employers, May 18, 2020
## Ensure a sustainable reset
Recalibrating for a new reality while repositioning for future growth

### Workforce Analysis
- **How do we identify immediate cost savings opportunities?**
- **Given our new economic reality, what areas do we need to be great at vs good at?**

### Workforce Strategy
- **Which roles will have the most significant impact on these areas?**
- **What is the impact of alternative decisions on our financials and the employee experience?**

### Work & Rewards Planning & Design
- **How do we reinvent jobs to access the best work options (AI, gig talent) at the right cost for each role?**
- **How do we make this work a part of HR’s core capabilities and toolset?**

### Sprint 0
**Articulate business case for change**

### Sprint 1
**Clarify work and talent priorities**

### Sprint 2
**Evaluate impact on workforce**

### Sprint 3
**Analyze financial and EX impact**

### Sprint 4
**Reinvent jobs to address defined priorities**

### Sprint 5
**Build HR capability to enable the business**

### Return on Investment
- **Identified cost saving opportunities**
- **Clear definition of where great performance matters**
- **Roles critical to driving great and good performance**
- **Optimization of cost to meet near and long-term goals while balancing the impact on EX**
- **Redeployment of work to achieve a step change in cost and capability**
- **Upskilled HR that can realize these gains at scale**
### Clarify organizational capabilities

<table>
<thead>
<tr>
<th>Value Driver Elements</th>
<th>Organizational Implications</th>
<th>Sample Supporting Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Growth</strong></td>
<td>Better customer experience</td>
<td>Customer problem solving</td>
</tr>
<tr>
<td></td>
<td>Drive innovation</td>
<td>New product/service creation</td>
</tr>
<tr>
<td></td>
<td>Expand into untapped markets</td>
<td>Demand creation</td>
</tr>
<tr>
<td><strong>Operating Margin</strong></td>
<td>Quickly integrating acquisitions</td>
<td>Strategic leadership</td>
</tr>
<tr>
<td></td>
<td>Efficient cost structures</td>
<td>Capital allocation</td>
</tr>
<tr>
<td><strong>Capital Turnover</strong></td>
<td>Proper allocation of people resources in the business</td>
<td>Investment management</td>
</tr>
<tr>
<td></td>
<td>Enhance operational efficiency</td>
<td>Operational financial management</td>
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#### Organization Capability Matrix

- **Better Than Competitors**
  - Surpluses
- **Equal To Competitors**
  - Aligned
- **Worse Than Competitors**
  - Needed To Play
  - Needed To Complete
  - Needed To Win

**Strategic impact**
Identify the differentiated impact of various roles

1. Pivotal Roles
   - A small improvement in performance delivers a disproportionate return in strategic value and competitive advantage.

2. Proficiency Roles
   - Beyond a certain crucial threshold of performance, any further improvement does not yield significant greater level of organizational value.

3. Efficiency Roles
   - Essential to be done but there is no discernible relationship between significant improvement to value to the organization.
Evaluate the agility and resilience that will sustain your organization

Summary of Work Alternatives

- Substitution: 64%
- Augmentation: 14%
- Alternative Talent: 0%
- No Automation: 8%

Summary of Potential Technology for Automation Alternatives

- RPA: 39.5%
- Social Robotics: 24%
- AI: 0.5%

Source: WorkVue Willis Towers Watson technology for reinventing jobs
## Rewards priorities to support sustainable reset

<table>
<thead>
<tr>
<th>Consider Segmentation</th>
<th>Support the Sales Force</th>
<th>Continue to Manage Costs</th>
<th>Accommodate New Work Practices</th>
<th>Manage Premium Pay Commitments</th>
<th>Revisit Benefits</th>
</tr>
</thead>
</table>
| ▪ 40% of employers have identified segments of employees for targeted action | ▪ Over 60% of organizations are considering improvement in sales management, incentive plans, and governance | ▪ Pay reductions – Impacting fixed and variable pay  
▪ Expense policy adjustments  
▪ Planning for layoffs | ▪ Few organizations report taking action to accommodate work adjustments | ▪ Almost all employers plan to remove pay premiums | ▪ What benefits are required for increased virtual work  
▪ Enhanced wellbeing  
▪ For retirement plans, set a plan for dealing with higher pension costs  
▪ Restarting employer DC contributions |

Source: 2020 Returning to the Workplace Survey
Shifting performance priorities suggest new approaches to paying for performance

Illustration: Taking stock of performance priorities

<table>
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<tr>
<th>Typical Performance Priorities</th>
<th>Rebalanced Priorities Given Current Context</th>
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</table>
| Corporate financial priorities: revenue growth, margin improvement | Q2: Limit impact to top line  
Q3/Q4: Stabilize financial performance |
| Individual goal attainment | Team effectiveness managing COVID-related risk |
| Innovation – Big bets | Innovation – Evolving practices |

Illustration: Repurposing P4P tools to target priorities

<table>
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<th>P4P Element</th>
<th>Progressive Actions</th>
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</table>
| Merit       | ▪ If cuts are required, preserve funding for targeted use  
▪ Suspend merit matrix adopt targeted pools with specific criteria  
▪ Relax focus on market alignment, anticipating less movement or decreases depending on industry  
▪ Consider lump sums |
| Recognition | ▪ Refresh criteria for current programs to target required behaviors, acknowledge success and personal achievements |
| Other variable elements | ▪ Introduce performance sensitivity to other elements of the value proposition with favorable cost profile |
Incentive design decisions will impact sustainable reset effectiveness

Factors to Consider

- Financial impact
- Social considerations
- Competitive landscape
- Historical practice
- Motivational impact

Short-Term Incentives

- Majority continue to take a wait-and-see approach
- For those taking action one adjustment may trigger other refinements
- Most are considering options they could trigger
  - Allow the plan to function as designed vs. intervene
  - Timing of intervention (relative to uncertainty about economic circumstances)

Long-Term Incentives

- Over 70% of organizations have not taken action
- Actions most likely to be considered
  - Adjusting target award value or size
  - Issuing supplemental awards
  - Changing goals for in-flight awards
  - Changing vehicle or vehicle mix

Rebalancing rewards to manage cost, flexibility and perceived value

Increase in Indicated Perceived Value from Current Level

What is the best level of investment in employees?
What is the best allocation of that investment to maximize the desired employee behavior?
Do the answers vary by age, tenure other segments (like position)?
A pivotal moment to focus on workforce principles that align to the Employee Experience

1. View this as a defining leadership moment
2. Adopt an agile and continuous learning mindset
3. Understand the perspectives of and engage all stakeholders
4. Focus on employee and company wellbeing
5. Balance medium-term needs and longer-term business objectives

Joint Whitepaper with WEF: Workforce Principles for the COVID-19 Pandemic: Stakeholder Capitalism in a Time of Crisis
Employees are deeply concerned & their experiences are significantly impacted

Majorities of employees reporting...

### Anxiety or worry
92% report at least some anxiety from the coronavirus, with 55% indicating a moderate or high degree of anxiety

### Distractions from work
70% report at least some distraction from work from coronavirus concerns, with 26% indicating a moderate or high degree of distraction

### Increased financial concerns
61% report at least some new financial concerns due to the coronavirus, with 25% indicating a moderate or high degree of worry

There is more employers should do, but current efforts are having a positive impact on the Employee Experience...

Employees have favorable views on efforts to create strong supports and team connections

96% Team continually focused on core objectives
94% Company doing good job keeping employees informed
93% Receiving support needed during this time
92% Confidence in leaders to protect health and wellbeing
91% Feel well-connected to work team

Employees have favorable views on employers’ effective focus on tools & procedures

94% Know what to do with health and safety concerns
93% Trust leaders to respond to business challenges
92% Company effectively adapting procedures to be productive
92% Travel and in-person meeting policies are appropriate
91% Have tools and resources needed to work from home

Source: Willis Towers Watson Employee Opinion Norm Database
Protect and enhance your Employee Experience (EX) while restoring stability

- **Reimagining the Year & Future**: How will changing business priorities impact your People?
- **Reaffirming your EVP**: Does your EVP need to be reinforced or redesigned?
- **(Re)Activating your EX**: How do we deliver an EX that supports your business and people priorities?

Enabling Business and People Leaders

Powering the Transformation
For some, a reset may require workforce actions

<table>
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<tr>
<th>Voluntary Separation</th>
<th>Involuntary Separation</th>
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<tbody>
<tr>
<td>▪ May not achieve desired staff and cost reduction; may lead to wrong people leaving</td>
<td></td>
</tr>
<tr>
<td>▪ Message better received by employees (including those who stay)</td>
<td></td>
</tr>
<tr>
<td>▪ Protection against age bias challenges</td>
<td></td>
</tr>
<tr>
<td>▪ Targets specific populations more effectively</td>
<td></td>
</tr>
<tr>
<td>▪ Better suited to achieving targeted reduction in staff and cost</td>
<td></td>
</tr>
<tr>
<td>▪ Sends organizationally driven message about cost reduction</td>
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**Compensation**
- Severance/cash incentives
- LTI*

**Benefits**
- Vacation/PTO payout
- Medical/dental
- Outplacement assistance
- Retirement
- Life insurance
- *Long serviced travel discount program*

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* Program features that are non-cash or deferred cash benefits
Consider the separation program implications

What incentives will there be for participants to enroll (if voluntary)?

How will we take elections (if voluntary)?

Do we have a basis for the program design?

How will benefits be impacted (e.g., pension enhancement or pay severance via Pension Plan to minimize short term cash)?

What education is needed for the participants and how will their questions be answered?

How will the potential for a follow-up involuntary program be communicated and managed?
Take rates for voluntary programs are difficult to predict
## Lessons learned

- Clearly articulate the goals
- Use targeted eligibility definition
- Adopt simple program design
- Conduct ROI analysis
- Develop clear messaging and comprehensive communication plan
- Ensure leadership buy-in and support
- Establish formal governance project and clear approval protocols
Questions

Upcoming events:

June 12: Prioritizing Wellbeing to Support and Protect Employees, Purpose and Culture

June 26: Safeguarding Capital and Creating Value Amidst Business Disruption

Past events:

May 15: Restoring Stability: Emerging Principles and Priorities

Register for future events and access past recordings on willistowerswatson.com
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