

# Driving Business Results Through People

An Interview with Mark V. Mactas, Chairman and Chief Executive Officer, Towers Perrin, New York

**EDITORS' NOTE** Chairman and CEO Mark Mactas observes that "today's clients are focusing on what they really need" due to "the continued poor economy, increasingly complex business issues, and competition for a shrinking or stagnant market." As many are left with "a smaller consulting budget, but greater problems requiring outside help," Mactas contends that clients are now looking for consulting firms that can provide "deep, proven expertise and a superior level of service." Equally important, especially given the current focus on corporate governance, clients look for firms that maintain "values of integrity, respect and professionalism." In this vein, Mactas proudly states that Towers Perrin is staunch in its stance to "never sacrifice our values to meet annual goals, budgets or a desired level of profitability." Further, he cites the firm's continuing work in the area of linking employees to the success of client organizations. "We help clients look at every aspect of the employee experience – their work, benefits, compensation, training and development – with an eye toward how these elements help engage employees to support the goals of the business," he says. Mactas asserts that this practice "is especially important today," as so many clients face huge cost pressures "in combination with a "need to reduce expenditures;" however, clients need to address those pressures "in a way that doesn't negatively affect employee engagement and performance." Mactas contends that "helping them balance cost pressures and performance needs is a major focus for us," and yet another way that Towers Perrin demonstrates that "we're committed to them, and we're in the trenches together." Further, "on the financial services side," the firm's "Tillinghast and Towers Perrin Reinsurance divisions have demonstrated their commitment to clients during what have been trying times for insurers and the larger financial services industry." In assessing these factors, the chairman and CEO summarizes, "I'm quite optimistic about Towers Perrin's growth prospects and its ability to compete in the future."

Mactas, who has a B.A. in mathematics and economics from Lehigh University, joined Towers Perrin as an international consultant in 1980. After a series of promotions, he assumed his present posts in January 2001. A fellow of the Society of Actuaries and the Conference of Consulting Actuaries, he is also a member of both the American Academy of Actuaries and the International Actuarial Association.

**COMPANY BRIEF** One of the world's largest management-consulting firms, New York-based Towers Perrin employs more than 9,000 people in 23 countries and is divided into three operating units: Towers Perrin, the management-consulting, human-resources, and employee-benefits division; Tillinghast-Towers Perrin, which focuses on risk management and actuarial services; and Towers Perrin Reinsurance, which functions primarily as a reinsurance intermediary. With a client roster that includes nearly 400 of the world's 500 largest companies and more than 700 of the Fortune 1,000, the privately held firm reported revenues of \$1.4 billion in 2002.

## Despite the economy, are you optimistic about growth opportunities for Towers Perrin?

Because today's clients are focusing on what they really need, I'm quite optimistic about Towers Perrin's growth prospects and its ability to compete in the future with our traditional and nontraditional competition. The continued poor economy, increasingly complex business issues, and competition for a shrinking or stagnant market have left clients with a smaller consulting budget, but greater problems requiring outside help. So times like these force companies to focus on the things that are most important for both them and their clients. When the economy is robust and opportunities abound, it's relatively easy to grow and to succeed. But when times get a little tougher, you're forced to ask, "How can I really help my clients?" Questions like this spawn some great new ideas, especially in

a firm like ours, where innovation is based on deep, proven expertise and a superior level of service. So although growth isn't as robust today as it was during the economic boom, at Towers Perrin we're still growing.

**Companies often use the term "client focus," but this has always been a core part of Towers Perrin's mission. Is it difficult to differentiate when so many firms claim to offer similar products and services?**

There are two answers to that question. First, we took a step back about a year and a half ago and asked ourselves where we wanted to take Towers Perrin. We thought about where we wanted the company to be in five years, and we performed a strategic review. One of the outcomes was the articulation of a mission statement and a vision statement, and the reaffirmation of our values. At Towers Perrin our fundamental mission is to help our clients. We do that through a unique combination of talent, expertise, and commitment, thereby creating value for our stakeholders, which not only includes our shareholders, but also our employees, our professional communities, our clients, and beyond. So there's no debate about the primacy of the constituents: We are in this business, first and foremost, to help our clients. Along these lines, we have unique people to help them, and if we execute properly, we'll create value for all of our stakeholders. From there, we needed to operationalize that mission. Often, in talking to our clients and prospective clients, we speak about our mission.

On the more practical side, I think the difference becomes very clear in the work that we do. The fact is, we're in it for the long haul with our clients. We're not in it to maximize next quarter's earnings, although we like good earnings. When we work with our clients, they can see firsthand the commitment our people show when they're in the trenches, helping them to solve tough issues. We seek out those difficult opportunities because we believe that's where we truly distinguish ourselves. At the end of the day, our

clients will judge us by the work we do for them.

**Is it challenging to keep both clients and shareholders happy?**

Unlike most public companies, we don't do quarterly earnings forecasts for analysts. However, we do perform very robust and disciplined business planning and monitoring, which includes budget plans and the like. But that planning is essentially in the context of the firm's overall objectives over three to five years. That's our horizon. We try to communicate our goals and progress with a lot of clarity and transparency. We believe that by giving our shareholders as much knowledge as possible about what makes the business tick and what keeps it healthy, they will help to keep us on track.

**Have the needs and expectations of your clients changed?**

Our clients are now more focused on what they really need, both in the short term and in the longer term. They're making sure that the outside help they use and the interventions that are a function of that help really produce the proverbial return on investment. On the financial services side, our Tillinghast and Towers Perrin Reinsurance divisions have demonstrated their commitment to clients during what have been trying times for insurers and the larger financial-services industry.

**Towers Perrin is known for serving many of the world's largest corporations. Is your target market strictly large organizations?**

There's certainly a correlation between Towers Perrin and large organizations. We organize ourselves so that we can help clients with complex problems, and we believe this strategy plays to our strengths. But at the same time, our target client isn't only the large organization; instead, it's any organization with problems that we can help to address and solve. We have multifaceted capabilities and a lot to offer, and it happens, and probably not coincidentally, that large, complex, global companies are the kinds of organizations that have used our services to assist them in improving their performance. For example, many large corporations look to us to help forge a strong linkage between how employees work and are rewarded and the success of the business. We help clients look at every aspect of the employee experience – their work, benefits, compensation, training and development – with an eye toward how these elements help engage employees to support the goals of the business. This is especially important today, since many of our clients face huge cost pressures and they need to reduce expenditures, but they need to do so in a way that doesn't negatively affect employee engagement and performance. Helping them balance cost pressures and performance needs is a major focus for us and just another way that we show our clients

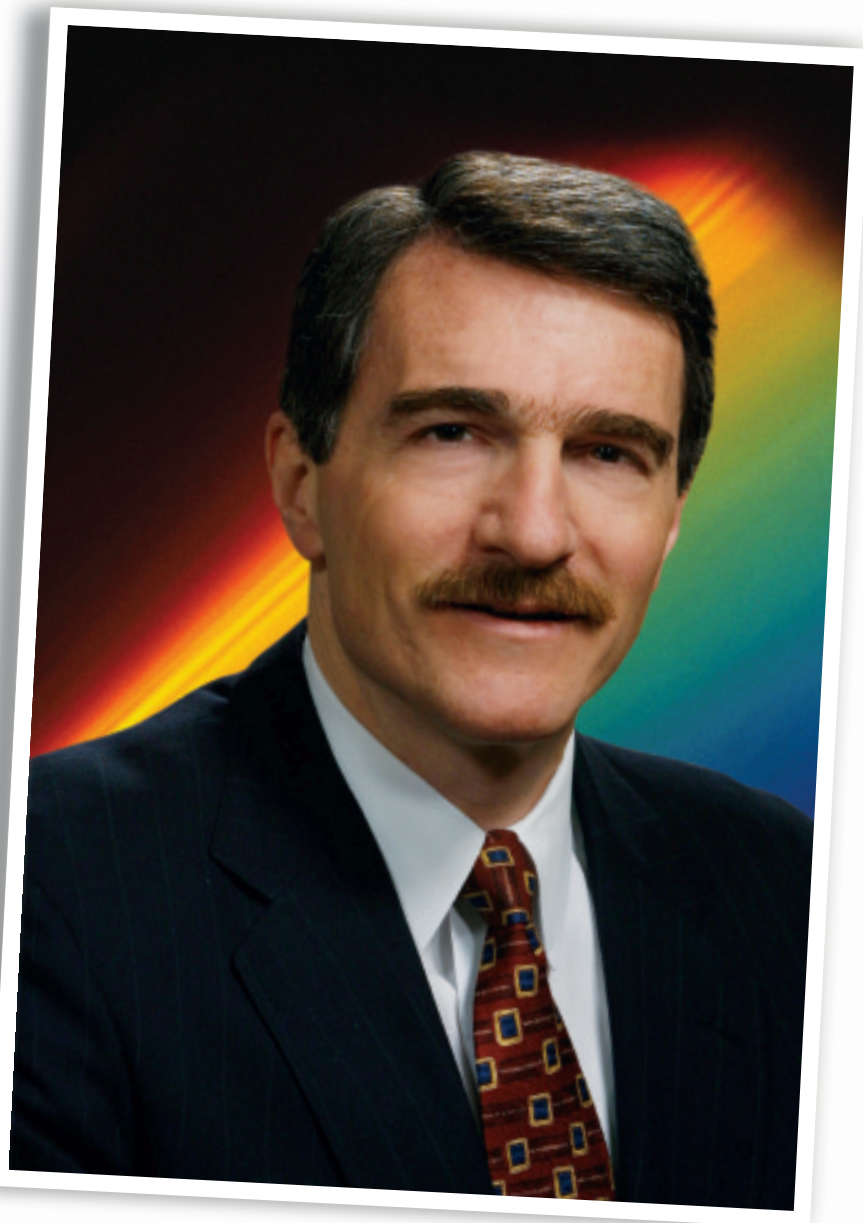
that we're committed to them and we're in the trenches together.

**Have you identified opportunities for Towers Perrin in China?**

We see great opportunities there; in fact, we opened our first office on Mainland China late last year. For some time, we felt that it wasn't a matter of whether we wanted go to China; it was a matter of when. There are great opportunities for firms like ours to truly help organizations, both local companies and subsidiaries of multinationals, to operate in a way that yields success. I think it will take some

we're trying to do. It's not an end in and of itself, as the dotcom boom and bust proved. Instead, it should be used as a part of an organization's arsenal or as one arrow in the quiver of how you effectively engage your people. Of course, if you really want to motivate people, using various forms of communication is important because you need to connect with them in many ways. Technology can assist in that, but it can only take you so far.

**How concerned are you about recent corporate-governance debacles and the public's widespread lack**



time for the human-resources and insurance consulting areas to take off there. But there's no doubt in my mind about the direction we're taking.

**How do you balance technology with personalized service?**

If used appropriately, technology will continue to be a key enabler of what

**of trust in the business world today?**

While there's certainly a heightened awareness about these issues now, our recent research in North America shows that corporate governance issues and trust issues are not what worry employees. One of Towers Perrin's great strengths is our understanding of what concerns and what



drives employees. We've been surveying employees around the world on these issues for a decade now, and our findings, combined with customized research at individual companies, are instrumental in helping companies engage employees in the success of an organization.

Our most recent research shows that the current mood in the North American workforce is quite negative. But that isn't generated by lack of trust in employers. It's based on work overload, a lack of challenge, a feeling that their efforts aren't recognized, and to a lesser extent, by a sense that management isn't offering them support or a clear direction, and by worries about the future. We see part of our job as helping companies shift this mood positively. It's extremely important that companies address this issue because this negativity is detrimental to business in the form of absenteeism, a lack of engagement in work, and high turnover, among other things. And once the economy improves, unhappy people will leave. And the most talented will find other opportunities very quickly.

### **How do companies address the big picture when there are so many complex factors to deal with?**

What's exciting about this research is that employees themselves give us the beginnings of a roadmap for change – highlighting the elements of the work experience that are most important to them. Basically, they are looking for a sense of competence, confidence, and community within the work environment, as well as more control over certain aspects of that environment. They are willing to assume more responsibility for decisions and actions, and they want the information and tools to help them take charge responsibly in areas where that makes sense. If employers can find ways to respond to those needs, they can begin to shift negative emotions to positive emotions.

Interestingly, when we asked the respondents in our survey to describe an "ideal" work experience, they didn't paint pictures of pie-in-the-sky, ideal jobs – for instance, working two days a week and earning lots of money. Instead, they have a pretty clear, realistic sense of what they want. And that is to be able to contribute measurably to the company's results and be fairly recognized and rewarded for that. It comes back to the four "C's" I mentioned earlier. Employees want to feel confident about what they do and how they do it. They want to feel competent and see a path ahead for growth and progression in the company. They want to feel part of a local work community, since the people around them are very important to them. And they want to have some sense of control regarding their destiny.

What our study also showed is that most people have a very strong emotional attachment to their work, whether negative or positive. Work is personal to most

people, and companies and managers need to treat employees as people, not just human resources or human capital. People look for a safe haven, and work is often perceived as a possible safe haven. That perception has been shattered a bit, but people still look for it. When employers take steps to instill more positive emotion in their employees, we believe business will benefit. In fact, we've found a correlation between employees' degree of positive emotion and their company's financial results as measured by five-year total return to shareholders. We don't know which drives which, but that statistic should interest employers.

### **Can those positive feelings equal the importance of salary?**

Our studies show that recognition is important, and pay is an important facet of recognition. But what's really important to people is a sense of self, and that's where confidence and competence come in. Rewards are important, but many things, such as the ability to contribute to the results, are critical. I personally care about rewards, but I also care about the people around me, the energy and vibrancy of the organization, and the feeling that I'm contributing to the firm's results. So these are all very important factors.

As part of our study, we also asked a group of senior managers to predict what employees at their organization would say about their current work experience. And interestingly, most of the managers were very accurate in predicting the mood of people today. They have a good sense, for instance, of how overwhelming workloads are for their employees. But they don't always understand why employees are negative. They overestimate the importance that employees place on management and the future. These are important to employees, but not as important as employers believe they are. Managers also underestimate the importance of making people feel confident and competent. That's an area that's been neglected and is ripe for attention at many companies today.

### **How difficult is it to implement these changes in your own company?**

That can only be gauged over time. The degree of success we achieve will largely be a reflection of how well we're able to engage our people in the organization's pursuits. To this end, all of our activities are geared toward trying to achieve that goal. We communicate frequently through both formal and informal means to engage our people, and we try to continually reiterate the context of the individual activities we undertake so that people know how they fit into the greater picture. We talk about our mission, vision, and values frequently, and we don't talk about them clinically. That is, we try to bring them to life through examples of how they're actually working in our offices and the effect they're having on our client work.

Ultimately, what we're trying to

achieve can only be a collaborative effort; it's not something that's just crafted at the top of the house and disseminated. Rather, it's the product of teams working together and people having a very clear sense of how they can contribute. We are a workplace leader because we've built a community of exceptional professionals, and over time we'll be able to gauge our results based on our collective success.

### **With all the pressures facing CEOs today, how important is it to meet with clients?**

All leaders need to stay in touch with the marketplace, their clients, and their people. Of course, different leaders find different ways to do this. Personally I like to meet with clients. Given the nature of my current role, I can no longer be involved in ongoing projects that would require me to be on call. But I can maintain contact with many of our longstanding clients and work to develop new relationships. To do that, I rely on a network of colleagues who do a great job of addressing and solving our clients' problems and issues so that our clients know we're committed to them, that we're in the trenches together.

Ultimately, if I weren't in touch with the marketplace, it would be unfortunate for both the business and me. There are a number of ways in which I can readily stay in touch, including meeting with clients and prospects, meeting executives from client organizations, and attending industry and association events. The bottom line is that CEOs need to be in touch with the issues clients are facing and the related issues that emerge in order to make informed decisions about responding to their needs.

### **In your 20 years with Towers Perrin, have there been mentors or leaders who've inspired you?**

I've been fortunate in my Towers Perrin career to have had some great internal mentors along the way. These weren't formal mentor-student relationships, but were instead special relationships that simply grew out of affinities that I had with certain people. Throughout the years, those relationships have been hugely instructive. The ability to inspire is a characteristic that I admire in leaders of the world today, and I have a very strong sense of personal values.

These qualities are something we talk a lot about at Towers Perrin: integrity, respect, and professionalism. In pursuit of fulfilling our mission, reaching our objectives, and realizing our vision, we never sacrifice our values. That means that we never sacrifice our values to meet annual goals, budgets, or desired level of profitability. Leaders who embody these ideals resonate with me, and there's no magic formula for this stuff. But if you can find ways to do it and to leverage what you bring, while complementing your strengths with the considerable skills of the people around you, then you really have something. ●