

Interview

Innovation, Commitment, and Practical Solutions

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



Mark V. Mactas

EDITORS' NOTE "We work with our clients as trusted advisers, building long-term relationships based on a shared commitment to meeting their evolving needs," relates Mark Mactas, comparing Towers Perrin to its competition. "In fact," the chairman and chief executive officer continues, reflecting on the firm's past successes and ongoing strengths as it celebrates its 70th anniversary, "commitment, innovation, and a focus on practical solutions are the hallmarks of who we are and how we work." Part of this, he explains, "comes down to having the kind of expertise required to look beyond the obvious, and to truly understand a client's challenges and how best to meet them." However, "top on the list is innovation," he underscores, which "means not only responding creatively to clients' needs, but also anticipating those needs and creating new solutions." Similarly stated, "Research is vitally important to us and to our clients," Mactas assures, for it is "instrumental in preparing for change and in discovering the real issues affecting employees and organizations' ability to compete."

Mactas, who holds a B.A. in mathematics and economics from Lehigh University, joined Towers Perrin in 1980 and assumed his present posts 21 years later. 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 Founded in 1934, New York-based Towers Perrin is a global professional-services firm, which helps organizations optimize performance through effective people, risk, and financial management. Employing more than 9,000 people in 23 countries, the firm provides innovative solutions in the areas of human-resource (HR) consulting and administrative services, management and actuarial consulting to the financial-services industry, and reinsurance intermediary services. With a client roster that includes nearly 400 of the world's 500 largest companies and more than 70 percent of the Fortune 1,000, the privately held firm will report revenues of approximately \$1.5 billion for 2003.

Has growth been strong for Towers Perrin recently?

We have seen an increase in activity. Our business is a mix of ongoing annuity work and project work. The annuity business has been very strong even through relatively tough economic times; the project business generally follows the economic cycle, with some exceptions. Over the past several months, we've definitely seen more activity on the project side, which usually indicates a positive turn in the broader economy. For instance, we're seeing an increase in mergers and acquisitions, which generate demand for the kind of work we do. So, we're quite optimistic that this trend will accelerate during this year and beyond.

Given the size and scope of Towers Perrin's business, are you content with the market's understanding of your range of services and the leadership you have in these areas?

I'm very pleased with the broad reputation we enjoy. We do market sensing on a periodic basis, and we're gratified with our standing among key buyers, who range from CEOs and boards of directors to CFOs, VPs of human resources, risk

managers, and benefits and compensation managers.

That said, we can always do more to make clients aware of the range of support we can provide. Not surprisingly, people know us well once they've used us, but they sometimes see us in a particular niche. We think we can serve clients most effectively if they have a comprehensive view of all our services, and understand the ways we can bring multiple services together to shape better, more creative solutions to business problems.

Does your HR services business deal with clients at multiple levels?

Yes, and more so now than ever because of the broader perspective our clients themselves have. In the past we worked primarily with senior leadership, boards, and board committees on executive-compensation assignments, and with HR executives and managers on more programmatic assignments, such as those involving retirement and health-care plans. However, over the past several years, retirement and health-care issues have become so significant that CFOs and even CEOs are now involved in design and implementation decisions. In addition, the focus on talent, especially the retention of key skills and the need to improve employee productivity, has pushed HR issues to the forefront at many companies, bringing senior business leaders and HR leaders together in a stronger partnership.

Towers Perrin is also known for its research. How important is that work?

Research is critical to us because it directly supports our goal of remaining innovative in everything we do. This year marks our 70th anniversary as a firm, and the occasion has given us a chance to reflect on our past success and recommit to those attributes we believe uniquely define us. Top on the list is innovation. This means not only responding creatively to clients' needs, but also anticipating those needs and creating new solutions. For instance, we devised the first private pension plan in the United States. We were also at the forefront of point-of-service

plans in managed care, and in asbestos-liability work, among other examples.

Innovations like these come from a commitment to understanding the market's needs on an ongoing basis. Over the past few years, we've conducted several studies to understand the mood and behavior of the workforce – what employees are thinking and doing – in order to help management make better decisions about investments in people programs and to ensure they deliver optimal results for the organization.

Just last year, we completed our second major talent study, based on a survey of 40,000 employees in North America. We found that employees are surprisingly resilient, despite the turmoil of the past few years, but that relatively few are highly engaged in what they do. Increasing employee engagement may be the next big challenge companies face, as our data also show a clear connection between levels of engagement and outcomes like retention and financial results. The more engaged employees are, the greater the likelihood that you'll retain them and the greater their contribution, both direct and indirect, to financial performance. The flip side of the coin presents a different challenge: having a large group of disengaged employees, who are staying on but not giving their discretionary effort, and perhaps even spreading negativism more broadly across the workforce.

Our talent studies also underscore an important fact about managing people: The elements that attract people to an organization differ from those that engage them or keep them at the job. It's important for managers to know these differences if they want to succeed in all three areas. For instance, while pay and benefits are critical in the attraction phase, they're somewhat less critical for retention – assuming they're perceived as fair and competitive – and less critical still for engagement. There, the things that matter are culture, values, relationships with immediate supervisors, the environment, learning and development opportunities, and so on.

One of our newest studies also highlights something of a sea change in the traditional employer-employee relationship around retirement. We surveyed more than 2,000 U.S. employees, and found that few believe they can count on the traditional “three-legged stool” of company pension, Social Security, and personal savings to meet all their needs in retirement. A very high number anticipate working after official retirement, perhaps in a different capacity, for both financial and lifestyle reasons. What we're seeing is a shift from the classic caretaker system that underpinned the three-legged stool to a more employee-managed system, with the added leg of continued employment plus greater self-management of savings and investments.

Findings like these highlight why research is vitally important to us and to our clients. It's instrumental in preparing for change and in discovering the real issues affecting employees and organizations' ability to compete successfully.

Do you sense that CEOs and other business leaders are coming to understand these issues?

For years, we've heard from various business leaders that “people are our most important asset and the key to our competitive advantage.” Obviously, we believe that's true. But now, employers are beginning to understand that engaging employees in pursuit of a common mission and overall business objectives is absolutely critical to long-term success. Linking employee behavior to financial performance is increasingly important, so we're doing a lot of work in this realm. What are the drivers of employee engagement? What can employers do to make a company soar, rather than merely plod ahead?

Do you focus on specific geographic markets for growth?

Being a global firm is central to Towers Perrin. Our first international operation was in Canada in the '50s. We moved into Europe in the '60s, and we've continued our global expansion steadily since then. We opened in China last year.

There are certain highly important international markets for us. Obviously, North America is critical. Europe is very important too – particularly the United Kingdom, Germany, France, and the Netherlands, as well as other countries with expanding economies and a growing base of multinational companies. We also see many short- and long-term opportunities in Asia. We've been in Japan for 20 years, and we were in Hong Kong before that, so we've had an Asian presence for a long time. And we're very bullish on the prospects in China, even though it will take some time for broad HR and insurance practices really to take hold there.

Are you still active in Latin America, despite the volatile markets there?

Yes, we're active in Latin America – especially in the big economies of Mexico, Brazil, and Argentina, although we're able to serve our clients' needs effectively in other countries too. Brazil, in particular, has a relatively stable economy, which we believe is likely to continue, so we anticipate growth there.

How do you differentiate your services from those of other competing companies?

We work with our clients as trusted advisers, building long-term relationships based on a shared commitment to meeting their evolving needs. In fact, commitment, innovation, and a focus on practical solutions are the hallmarks of who we are and how we work. It comes down to having the kind of expertise required to look

beyond the obvious, and to truly understand a client's challenges and how best to meet them.

Take outsourcing as an example. There are certainly firms that are larger than ours in the broad outsourcing space, but the nature of the outsourcing and administration we do for HR, retirement, and health and welfare programs is complex and requires a great deal of expertise. For example, 90 to 95 cents of every dollar an organization spends on health care are related to the care that's actually delivered. Only a nickel or dime goes toward administering those programs. Now obviously, for that nickel or dime, you want the most efficient service, and you're not going to get it simply by comparing costs. You're going to get it by gaining insight into how people use medical care, what kind of care is most effective for them, and so on. So, we look at what we call the “vertical linkage” – from the strategic direction of these programs, to their design, all the way down to their delivery and administration. And we can take this vertical view and do a better job by virtue of the expertise we have. This is something that employers are increasingly recognizing in seeking a better return on investments in people programs overall.

How important is it for you personally to make time for clients?

It's critical. I want to know what clients are thinking; what their needs are; how well we're serving them; and what we could do better. I make a point of visiting clients on a regular basis – normally within the context of a particular situation, but also more broadly to get a sense of how we're meeting their expectations. You miss the intensity and emotion of communication if you don't hear something directly. An e-mail or written correspondence can't provide intonation or context.

What advice would you give to business students disenchanted with corporate integrity – or the recent lapse therein?

I'm disappointed when I hear about breaches in corporate ethics and behavior, but, at the same time, I believe only a very small percentage of people operate this way. In general, I think people try to do the right thing for the right reasons. So, I'm a strong advocate of doing the right thing, whatever the circumstances, and being true to yourself.

If I were advising someone embarking on a career, I'd suggest spending time picturing your desired future: What kind of environment do you want to end up in, and are you going to feel good about how you got there? My belief is that how you get ahead is more important than where you go. Therefore, I'd encourage people fresh out of school to think about their values and whether an organization's values are consistent – or in conflict – with their own. ●