

Success uncovered

How the FORTUNE World's Most Admired Companies have adapted to the changing economic climate in terms of reward, motivation and innovation

OCTOBER 2011

SHAUN BARNES



Hay Group

Hay Group consults with 9,000 clients worldwide in a wide variety of areas, including:

Organizational effectiveness

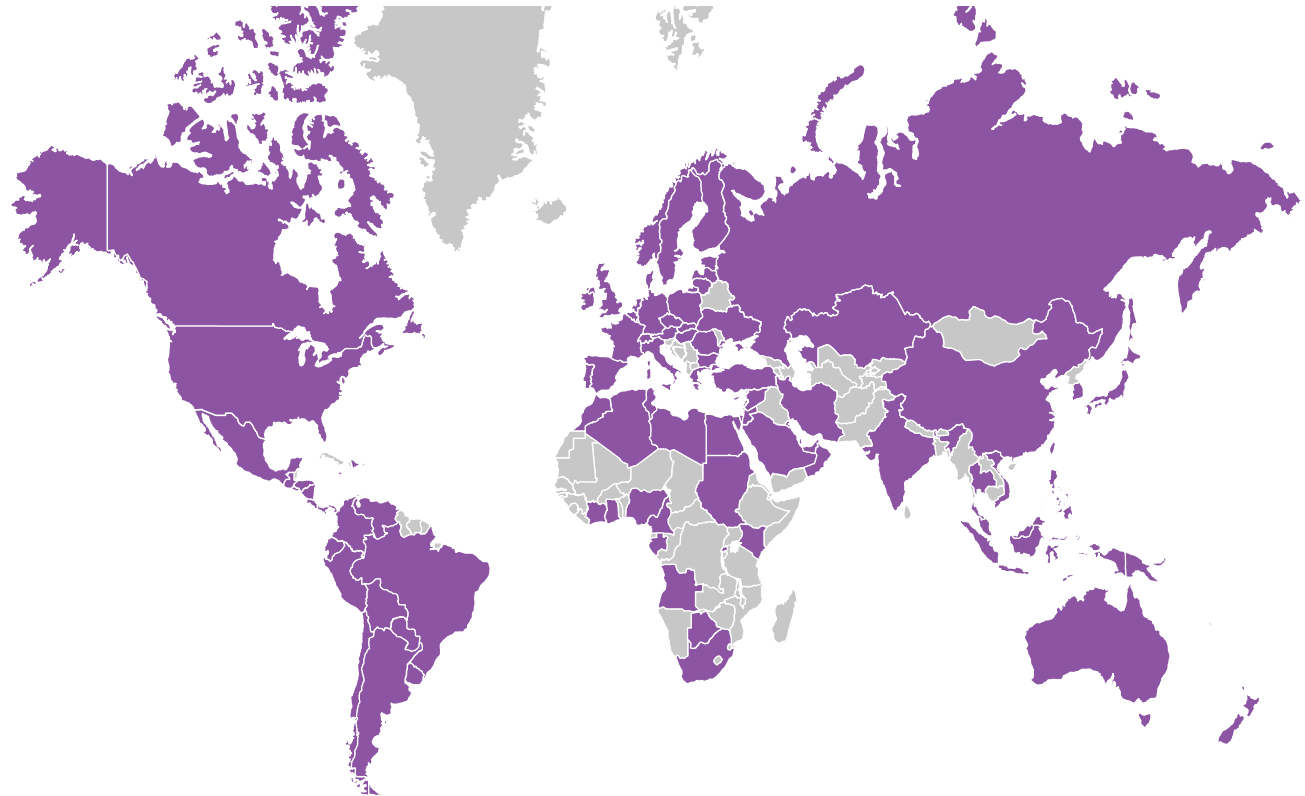
Managerial and executive assessment

Compensation and benefits

Performance management

Executive remuneration and corporate governance

Employee attitude research



88

Offices in 47 countries

2600

Employees worldwide

9000

International clients

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- 1 2011 WMAC rankings: methodology and results
- 2 Sustaining performance
- 3 How the WMACs do it: research findings
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World's Most Admired Companies: methodology and results

FORTUNE survey of World's Most Admired Companies

What is it?

- FORTUNE and Hay Group have combined the America's Most Admired Company (AMAC) survey and the World's Most Admired Company (WMAC) survey to generate one global ranking
- Candidate companies are FORTUNE 1,000 companies and non-US Global 500 companies with revenues of \$10 billion or more
- Companies rated both overall and relative to their industry peers by executives, directors and analysts
- A total of 673 companies from 32 countries were surveyed with industry rankings generated for 57 industries

Determination of industry rankings

Raters are asked to assess each eligible company in their industry on each of nine attributes:

1. Ability to attract and retain talented people
2. Quality of management
3. Quality of products or services
4. Innovativeness
5. Long-term investment value
6. Financial soundness
7. Wise use of corporate assets
8. Social responsibility
9. Effectiveness in conducting business globally

FORTUNE

2 Listed below are some of the largest companies in their industry, as classified by FORTUNE. How would you rate these companies on each of the following attributes? Ratings may be based on your firsthand knowledge of these companies or on anything you may have seen or heard about them. Please use the scale below to rate each of the companies on the attributes listed.

(Please disregard the numbers alongside the answers. They are only to help us in data processing.)

0 1 2 3 4 5 6 7 8 9 10

POOR FAIR GOOD VERY GOOD EXCELLENT

Industry	Rating (0-10)									
	Ability to attract and retain talented people	Quality of management	Quality of products or services	Innovativeness	Wise use of corporate assets	Financial soundness	Long-term investment value	Effectiveness in conducting business globally	Social responsibility	
Boeing										100
General Dynamics										100
Goodrich										100
Honeywell International										100
L3 Communications										100
Lockheed Martin										100
Northrop Grumman										100
Raytheon										100
Textron										100
United Technologies										100

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Global 'All stars' for 2011

1	Apple	11	Wal-Mart Stores
2	Google	12	IBM
3	Berkshire Hathaway	13	General Electric
4	Southwest Airlines	14	Walt Disney
5	Procter & Gamble	15	3M
6	Coca-Cola	16	Starbucks
7	Amazon.com	17	Johnson & Johnson
8	FedEx	18	Singapore Airlines
9	Microsoft	19	BMW
10	McDonald's	20	American Express

Regional 'all stars' for 2011: Americas (excluding US)

Raters from Americas companies (excluding US) are asked to identify the 10 companies headquartered in the region they most admire

1	Bombardier
2	Thomson Reuters
3	Research in Motion
4	Petrobras
5	Seagate Technology
6	Vale
7	Bunge
8	Magna International
9	Husky Energy
10	Manulife

Regional 'all stars' for 2011: Asia Pacific

Raters from Asia Pacific companies are asked to identify the 10 companies headquartered in the region they most admire

1	Toyota Motor
2	Samsung Electronics
3	Singapore Airlines
4	Canon
5	Sony
6	Honda Motor
7	Panasonic
8	LG
9	Hyundai Motor
10	China Mobile

Regional 'all stars' for 2011: Europe

Raters from European companies are asked to identify the 10 companies headquartered in the region they most admire

1	BMW
2	Nestlé
3	Volkswagen
4	L'Oréal
5	Adidas
6	Siemens
7	Nokia
8	BASF
9	Lufthansa Group
10	Daimler

Outperforming the market

The WMACs study is the only one to shine a light on these companies and give real insights into why they're so successful, enduring, well-led and packed with talent. This is important because WMACs outperform industry peers and the market as a whole

- In 2010, the top 50 World's Most Admired companies had, over the course of the previous ten years, significantly outpaced their peers in total shareholder returns:

18.9%

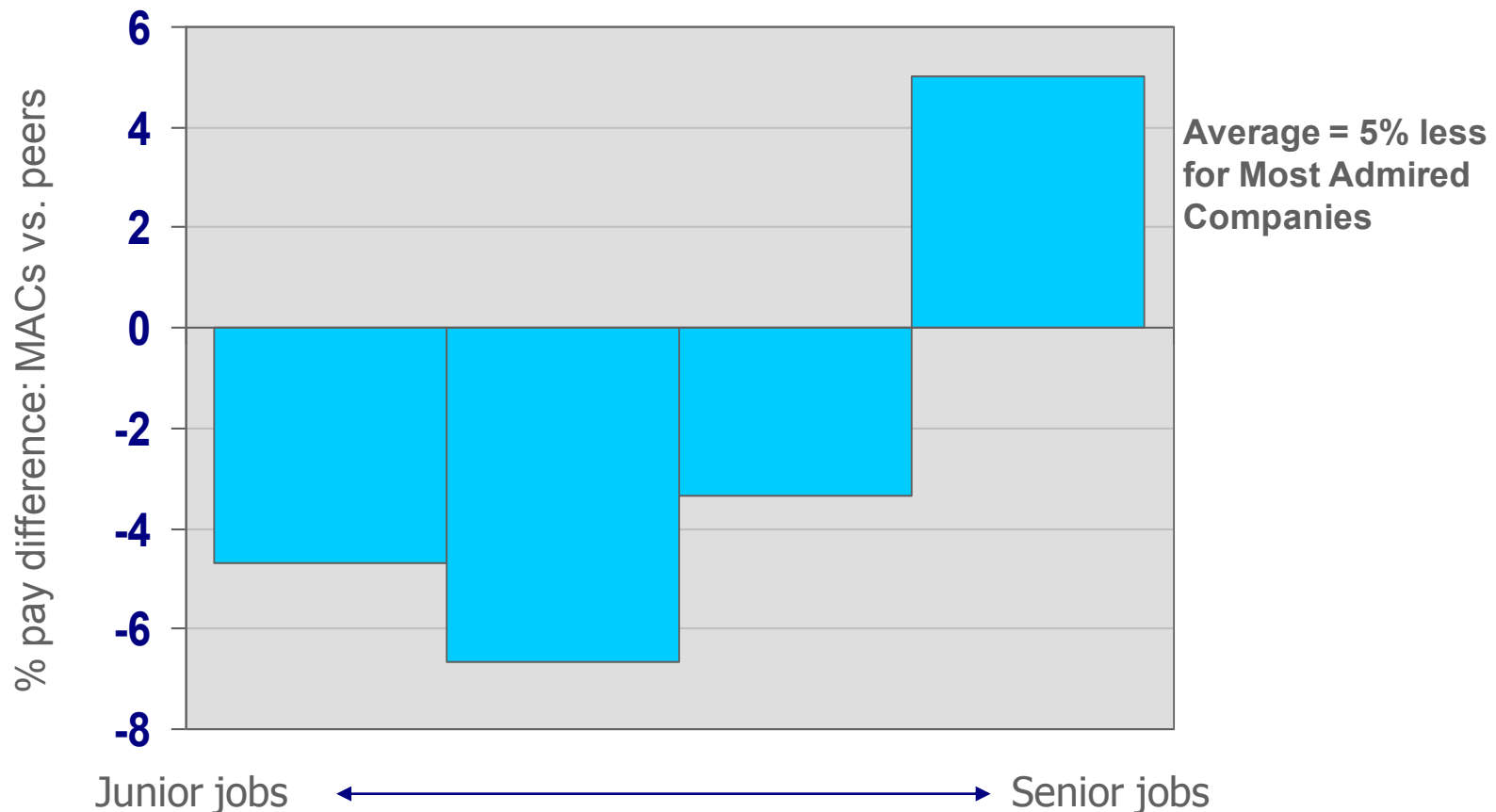
WMAC

-1.4%

Standard and Poor's 500

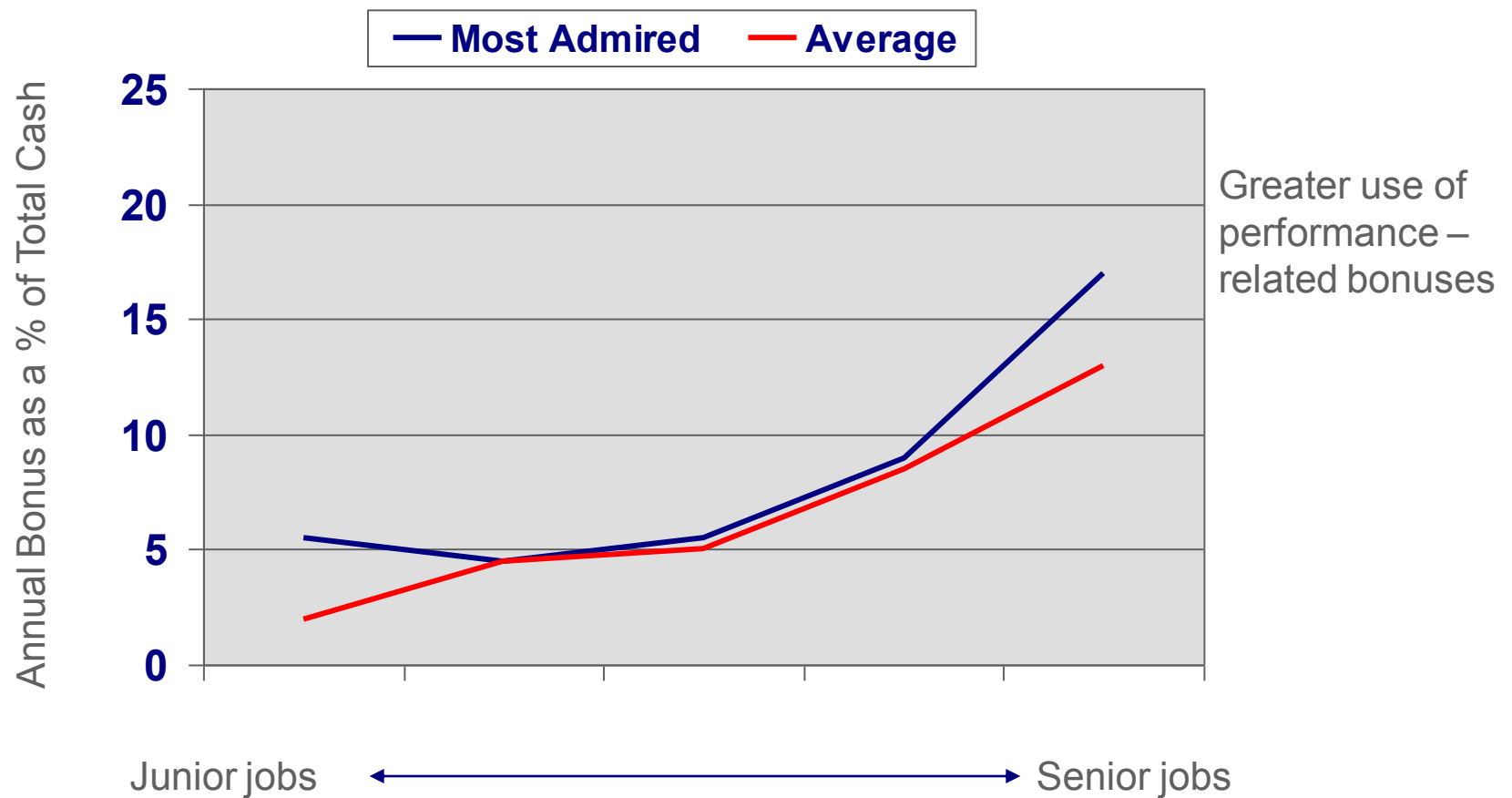
Surprisingly in terms of pay.....

Most Admired Companies generally pay less...



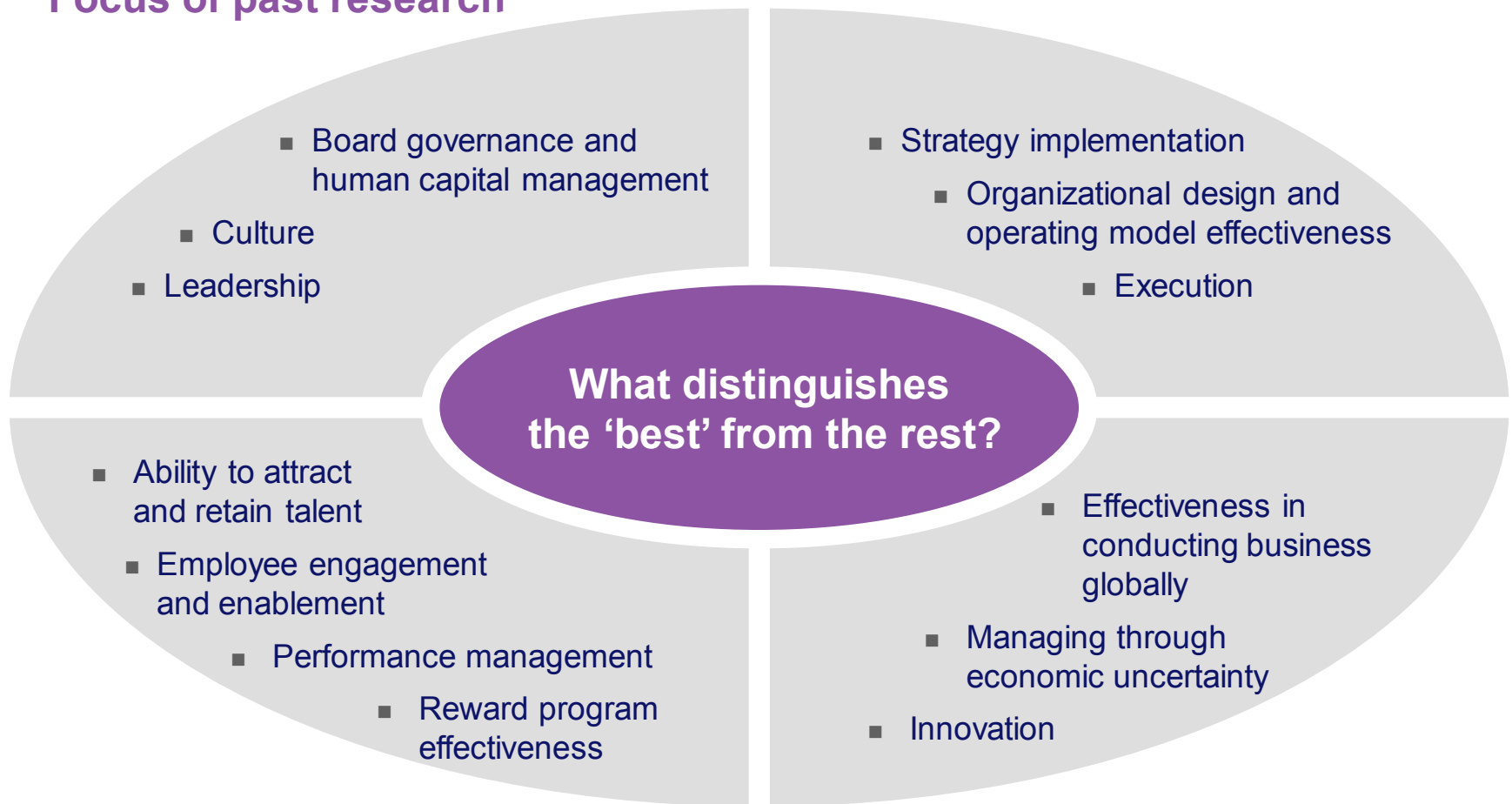
But.....

... use bonuses more



Key differentiators of World's Most Admired Companies

Focus of past research



This year's research

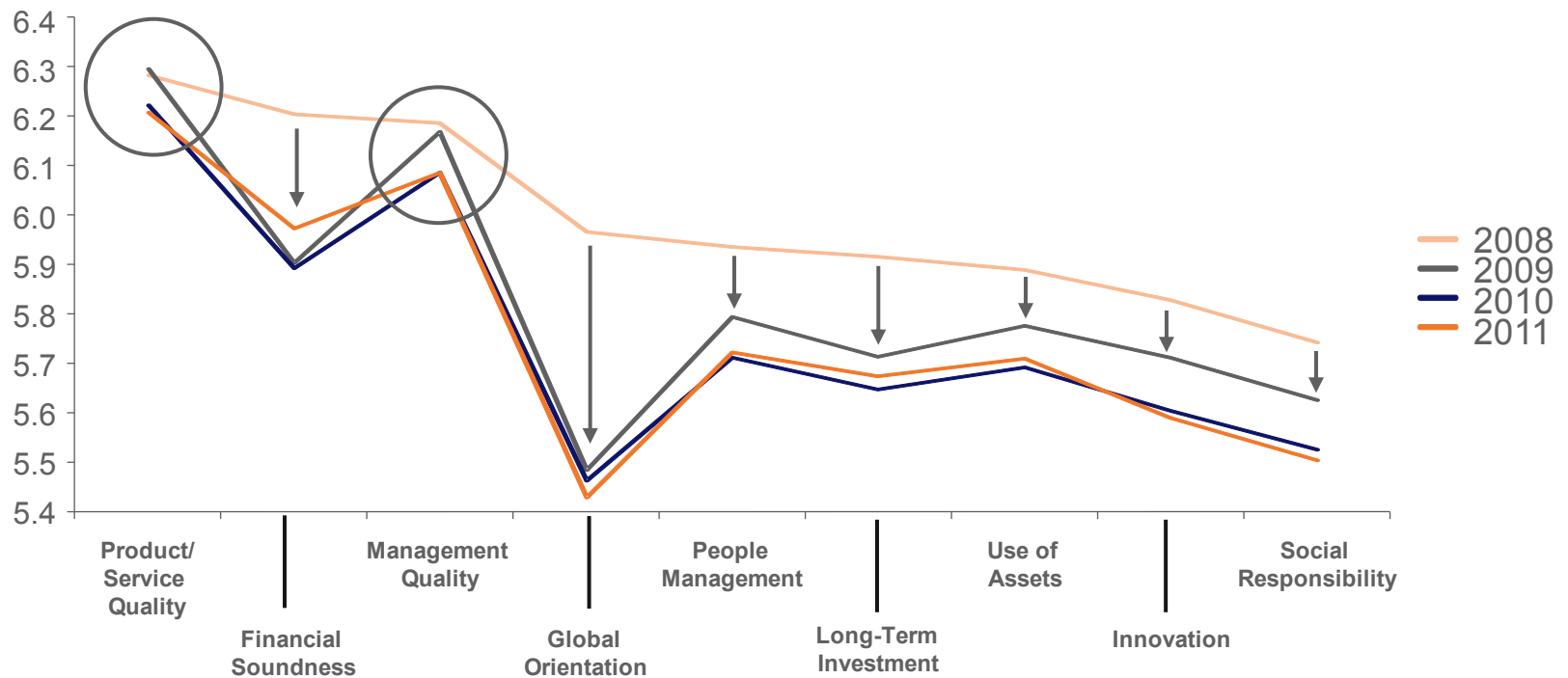
Our focus

- **A hallmark of WMACs is consistently strong performance and reputations amid changing business conditions**
- **Last year's research confirmed that many organizations drew heavily on the 'reservoir of goodwill' to manage through the economic downturn**
- **This year, our research focused on approaches WMACs are taking to sustain performance through reward, motivation and innovation**
- **In order to gain a South African perspective, we invited SARA members to complete a confidential WMAC questionnaire online, which we have incorporated into the results. Along with the same survey which we ran internally with Hay clients, we received responses from 58 companies**



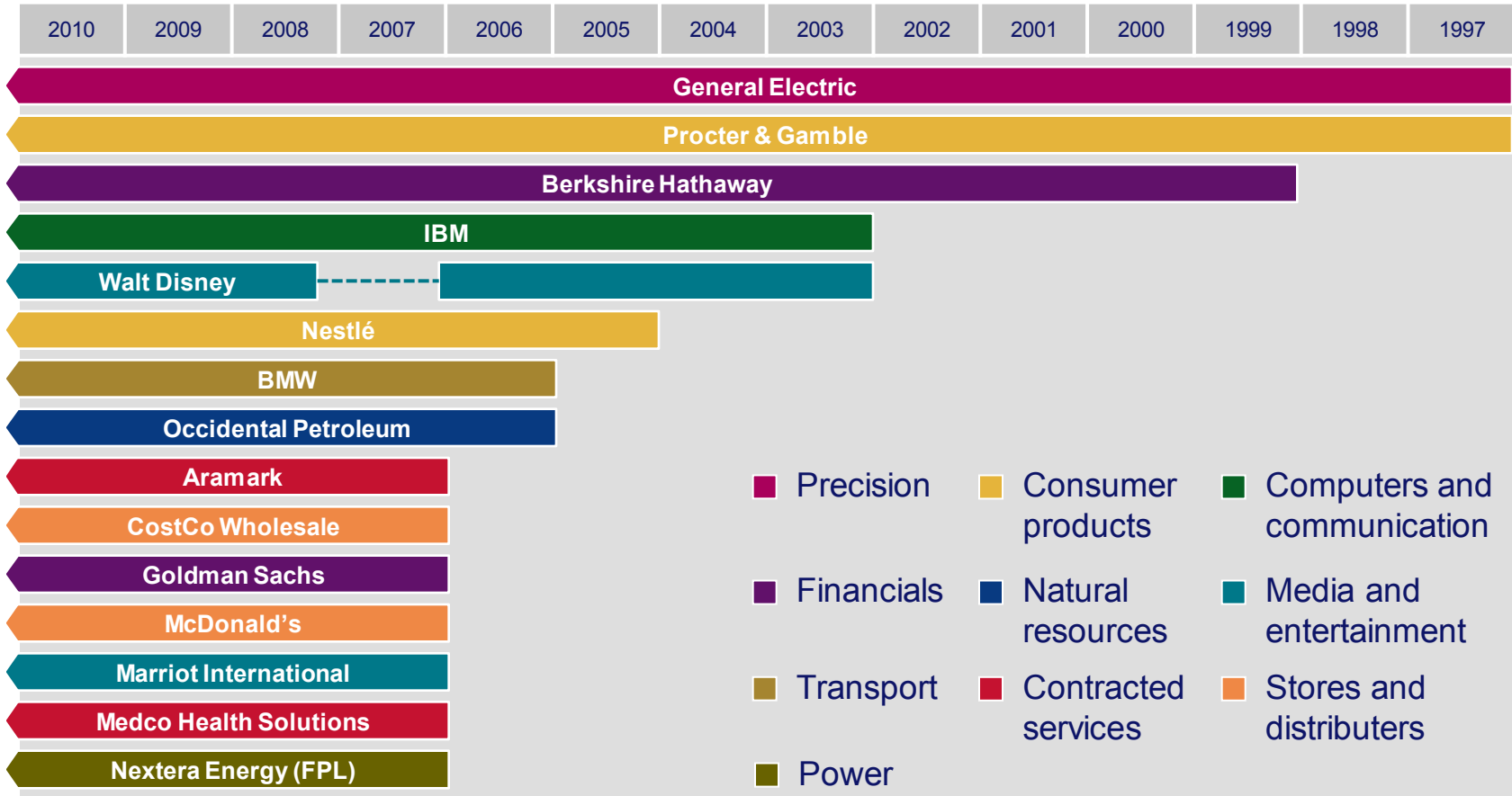
Sustaining performance

Reputation trends across industries



Sustained performance: a few standouts

World's Most Admired Companies industry stars



Sustained performance: hard to achieve

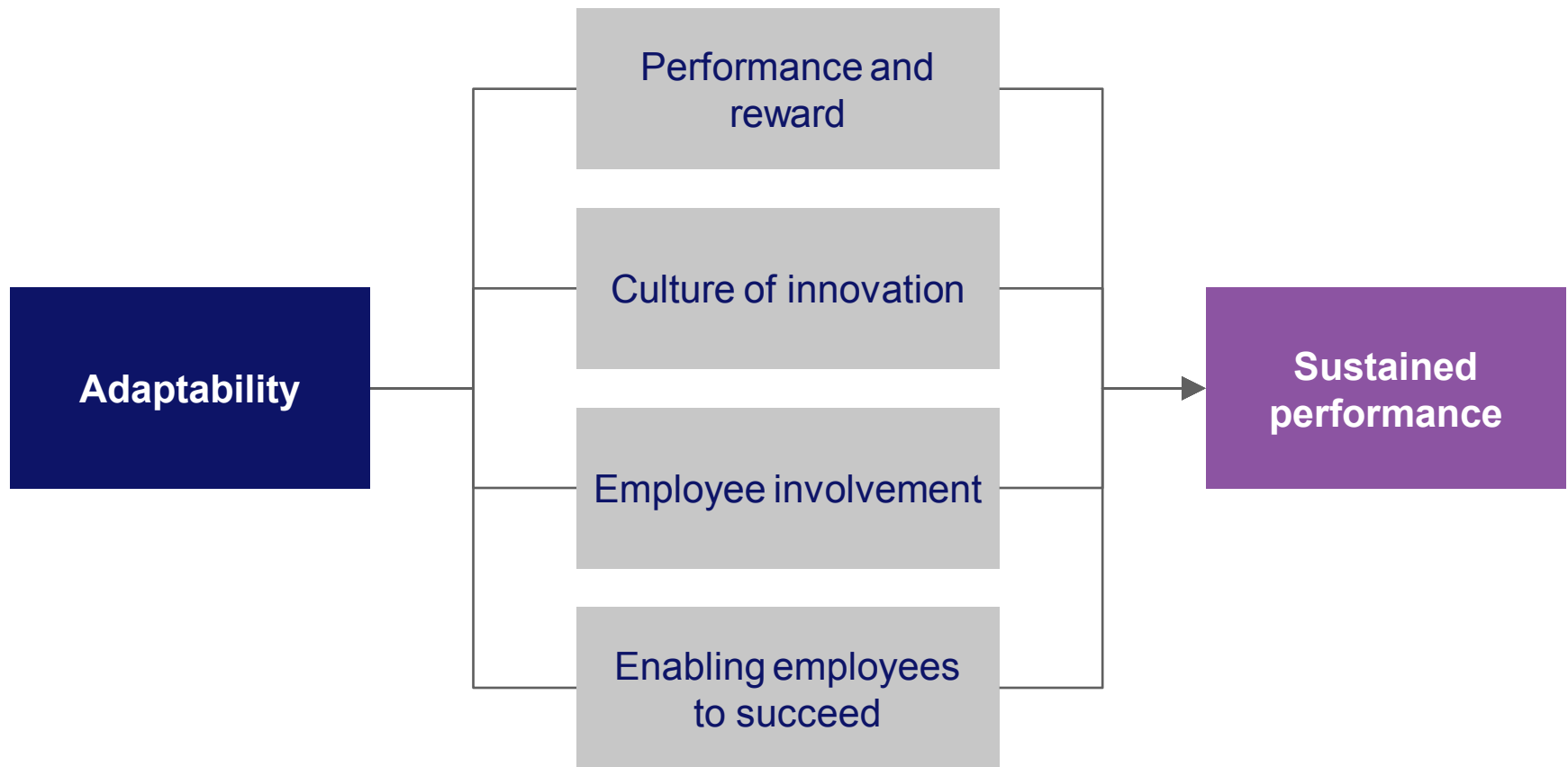
Attribute	Pre-recession champ	New champ
Ability to attract, develop, and keep talented people	General Electric	Goldman Sachs
Effectiveness in conducting its business globally	Nestlé	McDonald's
Innovativeness	Apple	Apple
Quality of management	Procter & Gamble	McDonald's
Quality of products and services	Anheuser-Busch	Amazon.com
Responsibility to the community and environment	UPS	Statoil
Soundness of financial position	ExxonMobil	Google
Value as a long-term investment	Berkshire Hathaway	Google
Wise use of corporate assets	ExxonMobil	McDonald's



03

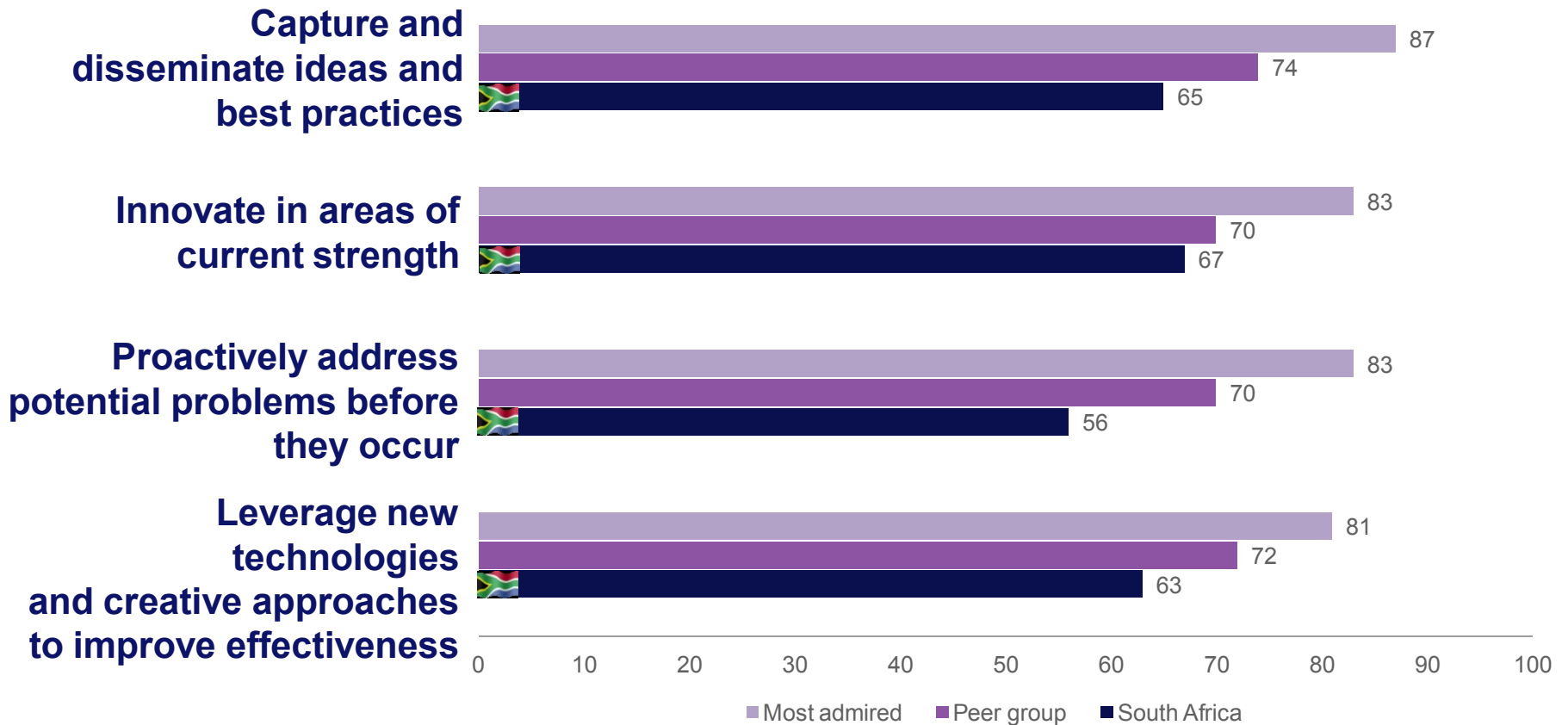
Sustaining performance:
How the World's Most Admired
Companies do it

Sustained performance: 2011 findings



Culture of innovation

How the World's Most Admired Companies innovate



% Strongly agree / agree

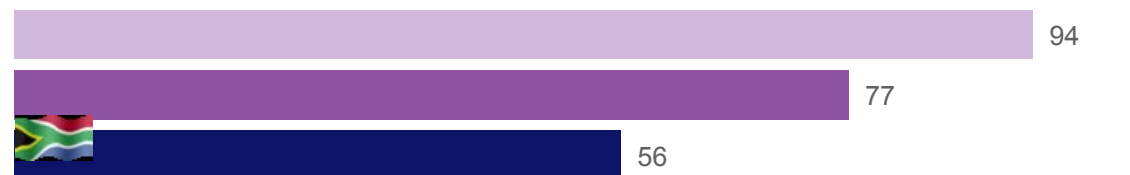
Employee involvement

World's Most Admired Companies engage employees to improve efficiency and effectiveness

Regularly solicit ideas from employees for increasing efficiency



Encouraging managers and employees to take reasonable risks to improve effectiveness



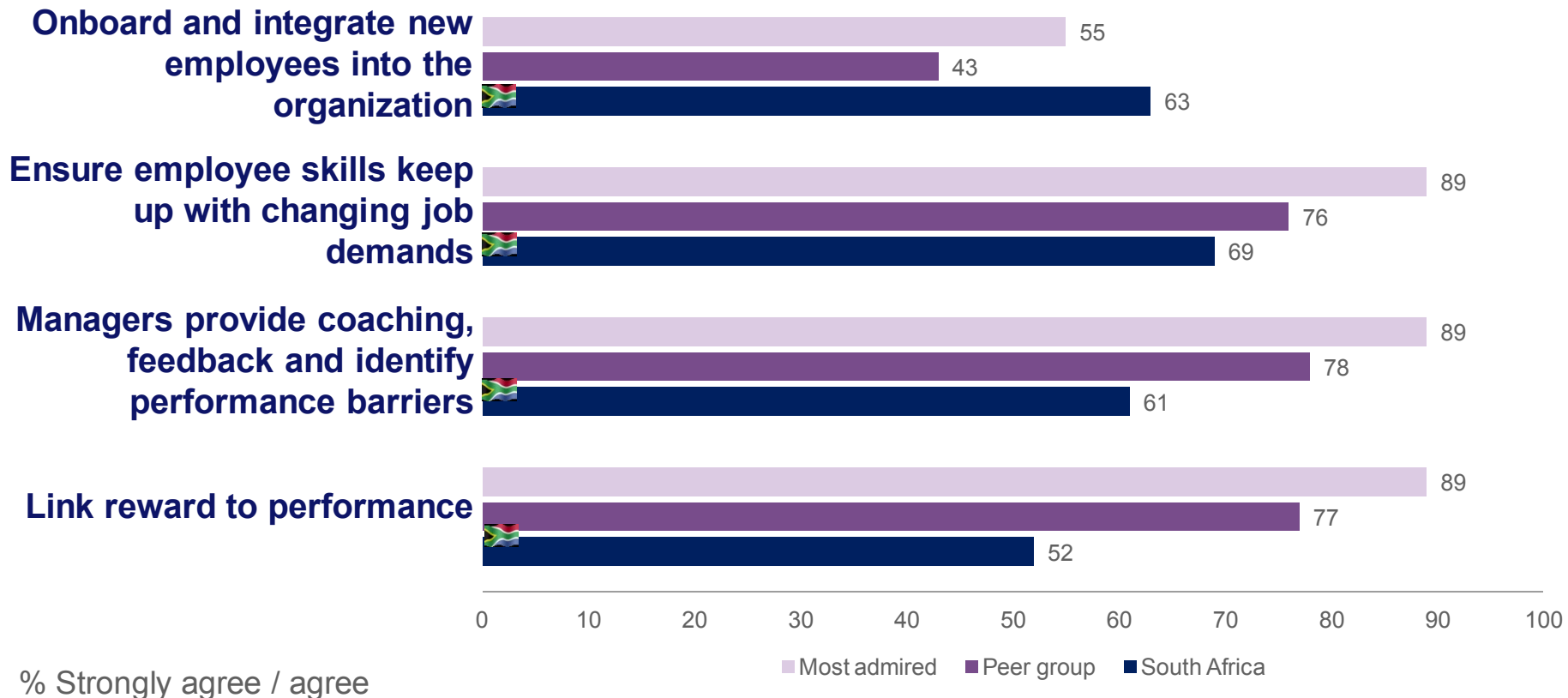
0 10 20 30 40 50 60 70 80 90 100

■ Most admired ■ Peer group ■ South Africa

% Strongly agree / agree

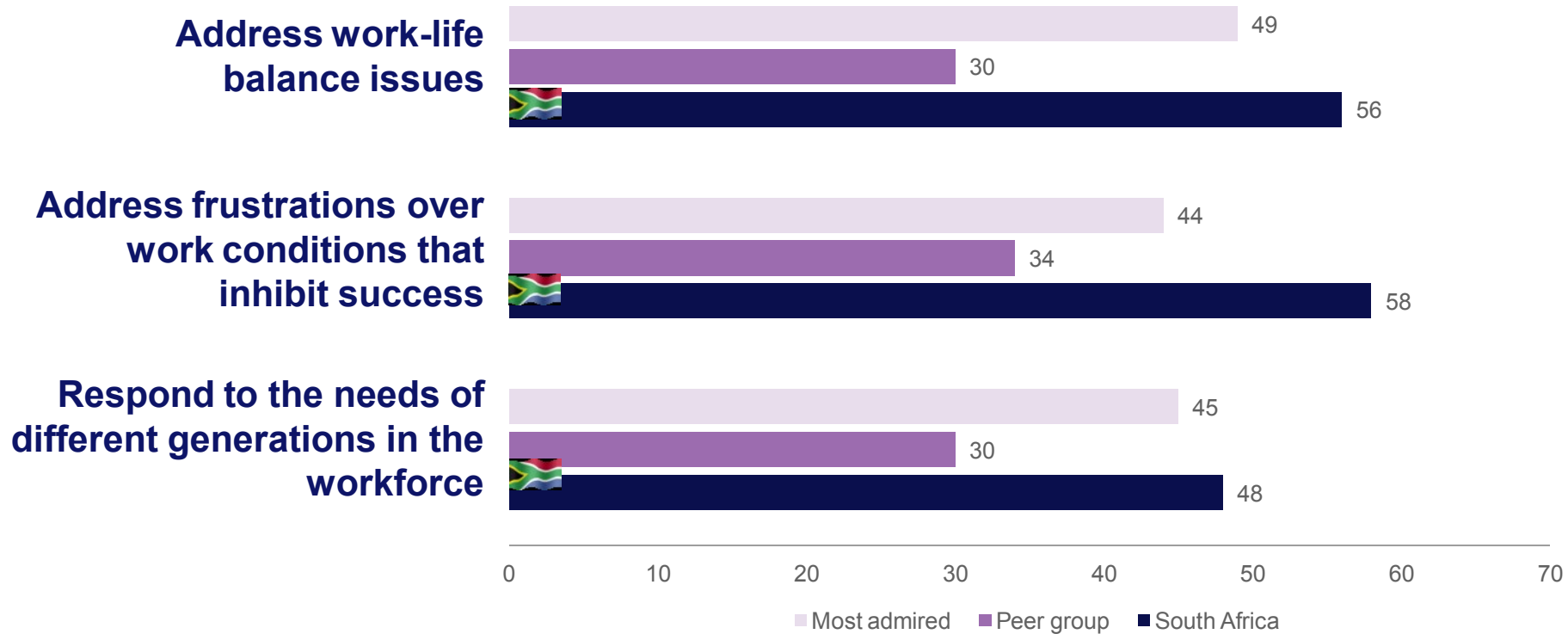
Enabling employees to succeed

How World's Most Admired Companies invest in performance



Promoting retention

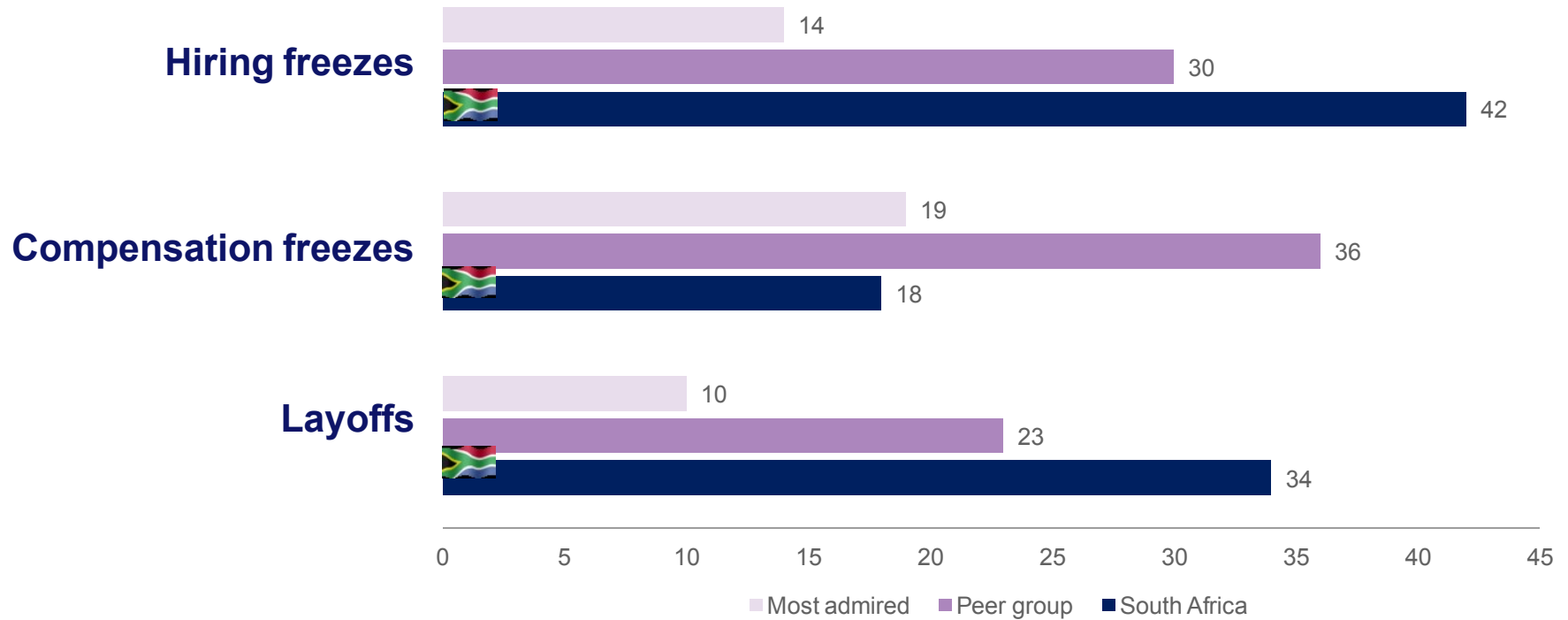
How the WMACs reduce barriers to productivity



% Top priority / very important

WMACs were forced to take fewer actions amid the downturn

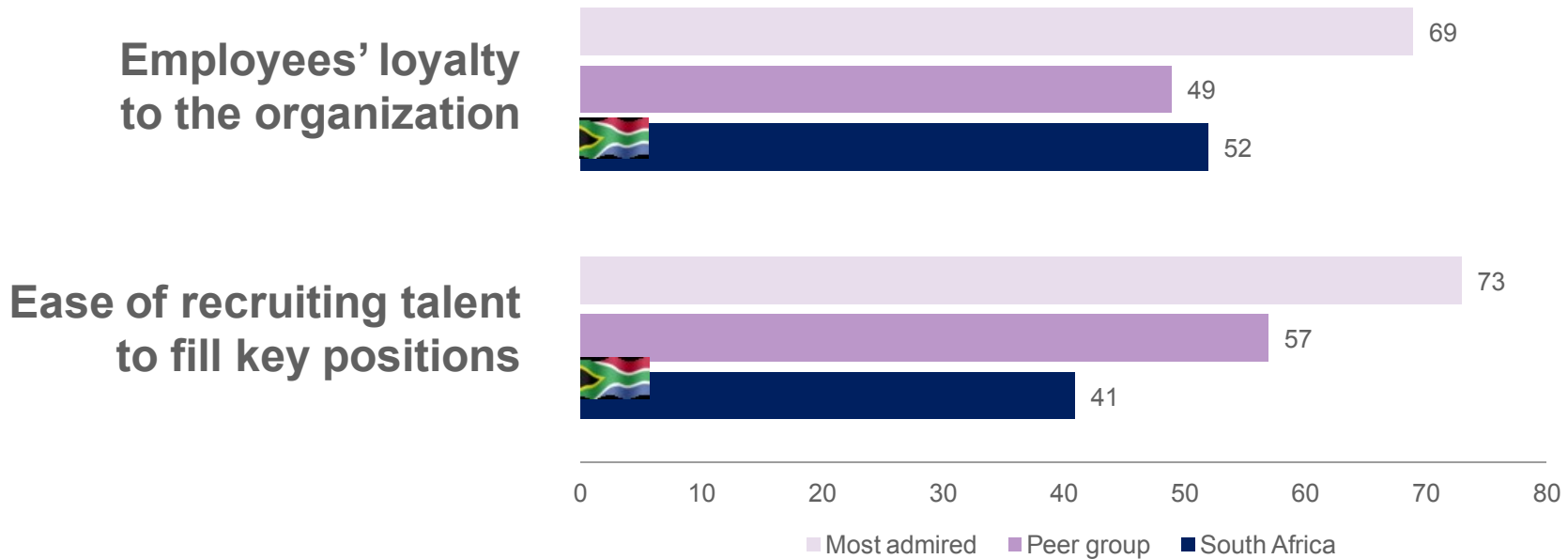
WMACs made less extensive use of ...



% Very Great Extent / Great Extent

WMACs are emerging from the recession with more engaged and enabled people

Rate now as compared with two years ago...



% Greatly Improved / Improved



04

Summary

Observations, lessons and report cards

Innovation

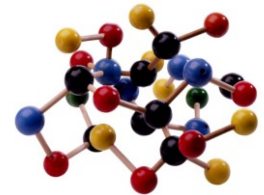
Has become a competitive necessity (Apple, Google): helps engagement as well

Includes risk and problem solving

Report Card for South Africa

Relatively lower than WMA's and peer group. Can improve, we are following too much

We scrape through- PASS



Employee involvement

Used extensively and employees are leveraged as resources

An extension of innovation

Report Card for South Africa

We don't trust our people enough and we are too risk averse- we deserve detention

We are way behind the curve- FAIL



Observations, lessons and report cards

Promoting retention

The weakest area for WMACS.

Partly a result of the global downturn, surplus talent in many regions.

Their brands are also more 'established'.

Report Card for South Africa

We lead the pack – a result of the skills shortage and talent wars we have and are experiencing.

**We perform well -
PASS WITH DISTINCTION**



Observations, lessons and report cards

Handling the downturn

WMACS were spared the worst effects and actions. Lay-offs were particularly low

This has provided a good launch pad for the 'global recovery' (?)

Report Card for South Africa

We were hit harder than we thought. Compensation freezes were used the least due to the talent situation

The worst is we are still in it – FAIL



Employee loyalty

WMACS do markedly better at creating and fostering loyalty – a 'brand premium' that has weathered the last two years

Report Card for South Africa

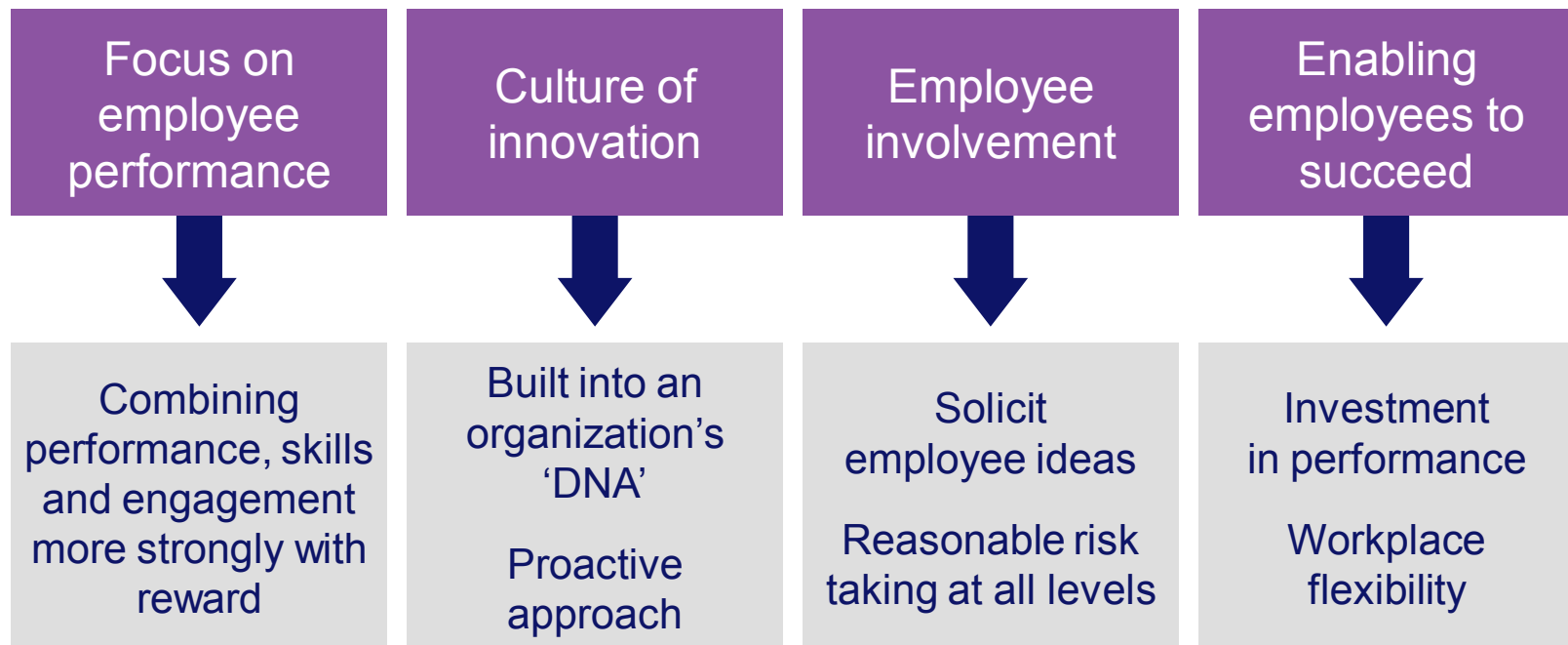
We have fair levels of loyalty compared to international standards. The skills shortages drag the overall mark down

Adequate if unremarkable - PASS



Summary

What can we learn from the World's Most Admired Companies? *Adaptability is the key to sustained performance*



Questions?