Boost Revenue With an Adaptive EVP Strategy

Performance data from S&P 500 companies in 2020 shows that organizations that invested in and messaged about relevant EVP attributes outpaced the rest of the group financially. HR leaders should use these insights to plan for an adaptive EVP strategy that helps drive talent and business outcomes.

Overview

Key Findings

- The uncertain talent implications of the 2020 crises, such as the pandemic and racial and social injustices, have required employers to deliver a more human deal to employees. This focuses on the whole person, their life experience and ultimately the feelings the human deal creates.

- Despite organizations investing significantly in meeting employee total rewards expectations, other employment value proposition (EVP) elements, such as fairness and equity and the positive work environment, have had a more substantial impact on employee experience and business performance.

- Companies that adopted an adaptive EVP strategy, which gave extra focus and support to respond to employees’ real-time EVP demand, outpaced the rest of the group financially by 9.6%, even in the cost-constrained environment in 2020.

Recommendations

As organizations emerge from the turbulence of 2020 and plan their investment ideas to drive their performance, HR leaders managing cost and budget should:

- Redefine their EVP principles by shifting toward a human deal that aims to generate powerful catalysts to action in employees’ expectations or experiences.
Data Insights
Disruption has transformed the modern work environment. In 2020, 86% of S&P 500 companies implemented cost-saving measures to tackle the financial disruption. Furthermore, the uncertain talent implications of the 2020 crises, such as racial and social injustices, have also forced HR leaders to question whether their traditional EVP will set them up for long-term success.

HR leaders were tasked to identify an effective EVP approach to align with today's work environment and meet employee needs. Therefore, a new EVP model has evolved. "The human deal" orients toward employees as people, not workers; provides the attributes that are critical to that person's life experience, not just work experience; and delivers a positive emotional response to the set of attributes that people perceive as the value they gain in their life from employment in the organization. We observed that the best-performing organizations redefined their EVP principles in these three ways and shifted toward a human deal that aims to generate powerful catalysts to action in employees’ emotions.

Accelerate With an Adaptive EVP Strategy
By analyzing S&P 500 companies’ EVP investment as captured by quarterly earnings calls in relation to their business performance in FY20, we identified that the best-performing companies adopted an adaptive EVP strategy and outpaced the rest of the group financially (see Note 1). The adaptive EVP approach is defined as companies give extra focus and support to respond to employees’ real-time demand. Those companies understood which EVP elements employees cared about most and timely adapted their EVP messaging and investment to meet employees’ needs.
These successful companies achieved rebounded revenue in 2020, recorded 12.9% YoY growth and outpaced most of their industry peers financially by 9.6%. As a result, this FY20 growth is nearly 10 percentage points higher than the index average and 11 percentage points higher than the companies that did not follow the approach (see Figure 1 and Note 1).

Figure 1. Optimal EVP Strategy Impact on Companies’ 2020 YoY Growth

Highlight the “Right” EVP Categories at the Right Time

Throughout 2020, 48% of the S&P 500 companies emphasized at least one EVP attribute, focusing on employee benefits and employee well-being. Although many leaders continue to believe these two are the most important considerations for an employee, other highly sought-after EVP elements, such as fairness and equity and the positive work environment, often get neglected.

Our analysis revealed that one of the reasons successful organizations outperformed the rest in the S&P 500 group in 2020 is they used an adaptive EVP approach to respond to employees’ real-time demand. They built a more relevant EVP strategy by recognizing a shift in employee expectations or experiences and making swift changes.
Those successful employers reiterated their positions and commitment by speaking about and emphasizing the most demanding EVP attributes in their earnings calls. Figure 2 shows the number of employers’ EVP mentions in their earnings calls, which followed the trend of employee sentiment as captured through Twitter data. Although “deeper connections” was mentioned less in 2020 earnings calls, it was actually the foundational expectation from employees and therefore has been continuously featured and promoted (59% more than average) each quarter in employers' official social media accounts, such as LinkedIn or Twitter.

**Figure 2. EVP Statements in Earning Calls Followed Twitter EVP Trend**

![EVP Statements in Earning Calls Followed Twitter EVP Trend](image)

Source: Gartner

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In addition, employers nearly followed employees’ every EVP footprint on Twitter by detecting employees’ interest and tweeting timely and relevant tweets. Figure 3 shows the number of EVP tweets made by employees and employers in 2020. Since the beginning of 2020, those leading employers have been timely placing their respective emphasis on the EVP elements based on these elements’ popularity on Twitter.
Using the traditional methods to identify, communicate, deliver and differentiate an EVP can leave HR chasing its tail. Hence, leveraging external forces, such as social media, to indicate a shift in employee expectations or experiences can work as a supplement to organizations’ internal EVP evaluation sources.

**Revamp Your EVP Strategy to Adapt to Employee Preferences**

Companies need to revamp their EVP strategy to help drive employee experience and their business performance. Despite organizations investing significantly in meeting employees’ total rewards expectations, those total rewards’ investments’ ROI has continued to be weak. The leading cause is that employers didn’t invest in the EVP attributes that employees valued most. Organizations need to improve their listening and detection capabilities to better detect and resolve misaligned expectations between employers and employees before they multiply.
The first step is replacing the static EVP evaluation process with one that adapts to the internal and external forces affecting the organization. To build a more relevant EVP, HR leaders need to recognize which external factors may indicate a shift in employee expectations or experiences. These cues, or triggers, include things that are organization-specific, such as the company's financial performance, as well as social media reflecting broad employee attention.

Our research, Build a More Responsive EVP Management Strategy, identified several feedback mechanisms commonly used to better understand employee preferences (see Figure 4). The idea is to make it easy for HR leaders to recognize cues to revisit the EVP strategy, in the pursuit of identifying and implementing timely and relevant updates.

**Figure 4. Potential Cues for the Organization**
To facilitate a more responsive EVP, we gathered information from Twitter to understand recent employees’ attention to EVP elements (see Figure 5). People’s relative attention to core EVP categories over time shows stark differences, with “deeper connections” outperforming other categories to become the most dominant EVP category on Twitter. “Radical flexibility” has drawn the least attention from employees, which may reflect a good share of employees have received the flexibility they desired, such as when and where employees work. Such recent feedback from employees can help organizations do a better job of delivering on their EVP and effectively reallocate their budget and resources for the right EVP investments.

**Figure 5. Employees Show Stark Different Attention to EVP Categories**

By sensing which EVP investments employees appreciate on a more regular basis, organizations can recognize and invest in those attributes. This is not about changing the core purpose of the EVP, but rather adjusting how organizations communicate and fulfill their promises to meet employee needs and candidate preferences.
If organizations take these steps, they can improve employee retention and candidate engagement at a time when they need it most. They can send employees a powerful message about how much they are valued during these difficult times. With a better idea of what’s most relevant to employees, organizations can more effectively deliver on their promises.

**Evidence**

Gartner analyzed the 2020 earnings call transcripts, sourced from S&P Capital IQ, to identify themes and uncover differences in how the S&P 500 companies experienced and managed the impact from the COVID-19 pandemic. The earnings calls analysis used natural language processing (NLP) algorithms on the transcripts to rank common themes and then looked at how words were interacting with other words in their proximity to classify workforce cost saving measures as well as talent investment trends. To analyze financial performance, average revenue growth was calculated as the average of growth in total revenue from 1Q20 to 4Q20, sourced from S&P Capital IQ (revenue figures in millions of U.S. dollars).

**Notes**

We took the five EVP elements and compared them to revenue using all the possible combinations: 120 in total. Let’s assume the EVP elements to be:

1. Radical flexibility
2. Shared purpose
3. Deeper connections
4. Personal growth
5. Holistic well-being

Example combinations are 1 2 3 4, 1 2 3 5, 2 3 4 5, and so on to a maximum of 120. Based on this methodology, we have identified the optimal EVP strategy (see Table 1).
### Table 1: 2020 Optimal EVP Strategy

<table>
<thead>
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</tr>
<tr>
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*Note: In the optimal strategy, “deeper connections” is featured 59% more than average in each quarter in S&P 500 companies’ official social media accounts.*

Source: Capital IQ; 2020 Gartner S&P 500 Social Media Accounts and Earnings Calls Transcripts
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