

# Managing Human Resources

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Good morning Ladies and Gentlemen!

It is both a privilege and a challenge to be your only speaker on this important issue. To be honest I love to know what you think I am going to be talking about. Maybe I get a chance to ask you later whether the things I covered is what you expected.

Managing human resources is an area I spent my whole life trying to understand and to improve. Not as an end in itself but as a means to an end, the end being delivering business results. To illustrate the extent of the challenge this has been, let me open by telling you a story.

25 years ago I started my career as an HR manager in a manufacturing plant in the north of England. I was part of a management team led by a plant manager. Every week at the management meeting the plant manager would bend his anger and frustration. He pointed out of the window, he banged his fist on the table, and he shouted about these bastards out there stopping him from hitting his targets. They were not his competitors, not his suppliers but the operators in his own plant and the trade unions that represented them.

Anyone of you who knows the state of industrial relations in the UK in the 1970's perhaps would not be surprised to hear that story. But the real insight is that the institutionalized conflict, that was present in that plant and which prevented any productivity improvements being implemented, was caused by decades of people management practices based on contempt, exclusion and fear.



## Who are we?

- A global, independent HR consulting and training firm, created by four founding companies in 2001
- Dedicated to helping clients achieve measurable business results – through their people
- Work internationally across Europe, Asia, USA, Australia and Africa
- 90% of business is repeat / referral
- 500+ consultants / partners based around the world



INSEP CONSULTING



23 years ago I left that company and joined a radically different business, called the Mars corporation, where I learned about a different approach to people management. There people were stretched, challenged and rewarded for making a real contribution to business performance.

Later at the end of the 1980's I founded my own company to propagate the same principles, called the Oxford Group.

Today, I am presenting to you as a director of a new organization, called the EuMan Group, where we merged 3 international companies with the Oxford Group to continue to propagate the same mission.

# Format

- Principles of effective HRM – how to attract, retain and motivate people key to future success
- Case studies from
  - Shell
  - Draka
  - Kodak

The format of the presentation is quite simple. I will start with the principles of effective human resources management (HRM).

But more importantly I will try to illustrate those principles in practice with some case studies from a number of organizations.

Hopefully this will give you a mix of cable and non-cable case studies.

# Does attracting, retaining, motivating people matter?

- Economic environment - threat, change, competition, commoditisation ...
- Lack of the right people in key roles (supervisory, management, sales, commercial, executives) will be the biggest constraint on meeting these challenges
- The cost of getting it wrong is significant –
  - the cost of a misplaced person earning less than \$100,000 can be *14 times base salary*
  - the cost of a misplaced person earning \$100,000 - \$250,000 can be *28 times base salary \**
- The benefits from getting it right for business performance are equally significant

*\*\*Top Grading; Brad Smart, 1999"*

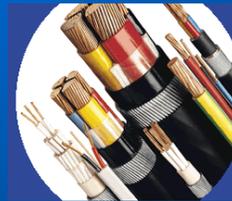
My first question is: Does it matter? I understand that the major issues, facing those of your businesses that are outside of China or India, are poor market and economic conditions. Even in this environment the success of the projects to drive down costs and improve efficiency are inevitably a function of the quality of the people that you have leading them. Another way of looking at it is to talk about the financial cost of getting it wrong. Some recent research in the USA suggests that you can actually measure this. In particular the cost of lost opportunities and damage to customer relationship are most significant. However you look at this, we would probably all agree, getting the right people and holding on to them does actually matter.

“The War for Talent” by McKinsey, a year long study of 77 companies and 6000 managers in 1998 intensified the debate.

Over the past decade, talent has become more important than capital, strategy or R&D. Think about the sources of competitive advantage that companies have. Capital is accessible today for good ideas and good projects. Strategies are transparent: Even if you've got a smart strategy, others can simply copy it. And the half-life of technology is growing shorter all the time. As Larry Bossidy, the CEO of AlliedSignal told us, "At the end of the day, we bet on people, not strategies."

# Yet it can seem like a hopeless task ...

- “The cable industry is under-performing everywhere ...”
- “We are constantly fire-fighting ...”
- “My business is “running on empty” ....”
- “It’s difficult to attract talented people into the cable industry ...”
- “We are cutting jobs and demanding longer hours of those who remain ...”



These are some of the comments I have heard at various times talking to some of you. It is difficult or impossible to attract talented people into the cable industry. I do not buy that at all. Name me an attractive industry today. How about engineering, steel, telecoms, food manufacturing, insurance. My point is: It is not industries that are attractive, but individual companies within them. They are well lead and managed.

## But it's a challenge for *every industry ...*

- Really talented people have always been, and will always be, in *short supply*
- The best people make job moves *on their own terms*, not for money, but for challenge and development
- HR is often treated an administrative function rather than a *business partner* which **MUST** contribute to execution of business strategy



It is a challenge for every industry for 3 principal reasons.

Very good people are in short supply. If capability is represented on a normal distribution curve, there is only going to be a few people on that end of the curve.

Best people make moves on their own terms. Really good people are already employed somewhere doing a job that they are enjoying and getting fulfillment from.

HR is treated or worse is allowed to function as simply an administrative function. If I may make the analogy for you with your finance director, it would be possible to allow for your finance director to run a passive accounting function. He adds up the numbers but really has no view or opinion about your business strategy. My guess is that is not how you chose to run your business. But the same applies to HR and if you let your HR function get away with being a passive function that really is missing a significant opportunity.

# So what's the solution?

- CEO must give this issue their personal attention
- HR Director must accept responsibility for delivering a strategic plan with key measures
- Board must review measures and be accountable
- The business must make the appropriate time / financial investment



There are a number of points to solve this problem.

CEO must give this issue their personal attention. All of you here today, sitting in the audience, who are chief executives know this as a simple reality of business life, which is: The things you care about will happen.

Your HR director must accept responsibility, the board must review measures and you must be prepared to make the appropriate investments.

What does that mean?

# Key concept is

## *Employee Value Proposition*



The key concept, I want to talk about and I am leading up to, is the idea of an employee value proposition (EVP).

I will explain the principles what an EVP means and then I will illustrate this with some work from Shell, Draka and Kodak.

# Employee Value Proposition (EVP)

- Answers the question “Why would a talented person join my business and develop their career here?”
- Analogous to your Customer Value Proposition
- More than just a written document – may mean deep changes in management behaviour and policy
- You can measure progress in delivering the EVP to new and existing employees



The EVP is really a rather simple concept. It answers the question, why a person joins and remains in your company. I wonder how many of you can answer that question right now in a consistent way with other members of your board.

EVP is analogous to your Customer Value Proposition (CVP). Why should customers chose to do business with you? Chances are that you got that one nailed down pretty effectively.

What I am talking about here is not just a written document, although it may become eventually a written document. I am talking about something much more profound, because this may go to the heart of a reexamination of management behavior and some fundamental policies in your business.

But once you have your EVP you can measure progress towards achievement of it, in particular by surveying both new prospective and existing employees.

# Parallels with consumer brand

## Both

- are ideas in the minds of the individual
- are based on a combination of factual data and emotional reaction
- arise from the customer's / employee's total experience of the product / service / business

*They exist, whether we like it or not!*



There are parallels between your EVP and a consumer brand.

The most fundamental fact is: They exist whether you like it or not. Just as your consumer brand exists, whether you take any active steps to manage it or create it, so your EVP actually exists right now, even if you have not thought about it before. There is a concept in the mind of your existing employees and your prospective employees about what it is like to work for you, positive or negative.

I guess the purpose of this presentation is to say:

Perhaps you should take control of that in so far as you can.

# What should your EVP cover?

- Gallup surveyed 80,000 employees in 400 organisations to identify what factors create an attractive and *high-performing* workplace:
- Gallup summarised their findings in 12 statements, published in “First Break All The Rules: What the World’s Greatest Managers Do Differently”\*

\*Marcus Buckingham & Curt W Coffman (Simon and Schuster, May 1999)

Gallup has studied EVP and summarized their findings in a book with the title: First Break All The Rules.

If you have not read that book I would recommend that you stop at a bookstore and buy a copy.

# 5 Key Dimensions

1. How people can understand the link between their work and quality / value / service delivered to your customers
2. How people can use their talents to contribute / make an impact on business performance
3. How people will get feedback and recognition for their contribution
4. How people will get access to opportunities for learning, development and personal growth
5. How people's voices will be heard

Note: processes for delivering the above could be different for different levels / types of staff

The 12 statements can be summarized into 5 dimensions, which you can see here. Remember these are 5 key dimensions that the 80 000 respondents said would contribute to building an attractive and high performing workplace.

1. People need and want to know, what they do, how it will serve the customers. What is the mechanism for them to understand that?
2. People need and want to understand that.
3. It is a fundamental feature of working life that people need.
4. It is fundamental to people to feel that they have opportunities for growth in their work.
5. People need to feel that their opinions are heard and that they matter.

As you can see, pay is not present on this list. It is not because it does not matter. It's just because it is a necessary but not sufficient condition for creating an attractive and high performing workplace.

# EVP and redundancies / re-structuring

- Down-sizing, re-structuring, redundancies are not excuses for avoiding work on your EVP
- Commitment to outplacement / investing in people's employability beyond your business may be *key components* of your EVP
- Delivering your EVP for employees who remain post re-structure is key to maintaining commitment and productivity



The fact, you may be in difficult times and reducing staff and rationalizing your business and restructuring it, are not excuses for avoiding work on your EVP. Rather those facts may be the key components of your EVP. Either way, delivering your EVP for the employees who remain after any restructuring process is likely to be key to maintaining commitment.

Now for some concrete examples from several businesses (cable and non-cable) of how elements of an EVP can be defined and delivered

...

Shell



Draka



Kodak



Now I like to move on to some concrete examples from a number of businesses. The first example I want to talk about is Shell.



# Shell

Mission to meet society's needs for energy, in ways that are economically, socially and environmentally viable, now and in the future

- Exploration on land and sea – oil and gas
- Supplier of fuel and lubricants
- Market gas and power
- Produce chemical products
- New energy – hydrogen, solar, geothermal, wind

Operates in 135 countries

I guess Shell is a business you all know, perhaps know well. I am sure you all have used a Shell product sometimes in your life. You can see on the slide Shell's mission and, under the bullet points, the areas Shell operates in.



# Shell



## 10 years ago

- Career for life
- Excellent security, pay, pensions
- Paternal culture
- Male dominated
- Many travel opportunities in old Empire countries
- Technical excellence rewarded

What characterized Shell from an employee's point of view ten years ago?

It offered close to a career for life. Job security, pay and pensions were excellent by comparison with the market.

The culture was a little paternal and certainly male engineering dominated.

Shell offered for new graduates great travel and career development opportunities, predominantly in the old British Empire countries.

The organization had a reputation for rewarding technical excellence.

In other words, for new graduates and for professional staff, who were changing job, Shell was at the top or near the top of any list of attractive employers.



# Shell



## During the last decade ...

- 130,000 employees reduced to 70,000
- End of job security
- Profit margins in retail business destroyed
- Failed to exploit E&P opportunities in new territories
- Demographics
- Surveys amongst graduates showed oil industry perceived as “untrustworthy and anti-environment”
- Many more women wanting careers and development too
- Shell exacerbated problem itself by move to “open-resourcing”

What happened during the last decade?

In the face of major business pressures Shell's number of employees was almost halved. That spelled the end of the concept of job security inside Shell, often described as the breaking of the psychological contract between company and employee.

Significant exploration & production (E&P) opportunities were missed. Demographics, in terms of the availability of numbers of new graduates moved against the company.

Worst of all, in a number of surveys amongst potential graduates entering Shell began to show, that the oil sector and Shell in particular was suffering significantly from a poor perception. If you think back 10 years ago, it was the problem with Brentspa and Shell's involvement in Nigeria.

The ultimate folly perhaps was that Shell exacerbated these problems for itself by moving to open resourcing. Shell consciously stopped actively managing the careers of its people. You join the company and you are on your own. You got to manage your own career and don't expect us to look after you.

The net effect of all of this was that Shell became less and less an attractive employer. This was a big problem for Shell.



# Shell



Created EVP as vital tool in winning “war for talent” – five “products” make up the Shell EVP brand

1. “Develop” – structured graduate development scheme
2. “Skill” – competency based development opportunities
3. “Review” – opportunity for deep career review every 3 years
4. “Go” – creation of 50 opportunities every year for new graduates +2 years to work overseas
5. “Lead” – Development Centres for senior managers

What did Shell do to overcome this major problem?

Very simple, they started to recreate their EVP. Today, internally they describe their EVP as having 5 products, that make up the Shell EVP brand. You can see them on the slide.

Perhaps the one, that is most significant, is the product called “Go”.

This is a commitment by Shell to create each year at least 50 opportunities that will allow graduates with +2 or +3 years career experience to work abroad in real jobs to get overseas experience.

Has it worked?

The answer is yes. Shell has regained its position as one of the most attractive employers for new graduates. Certainly, some of these EVP products are rated as a significant reason by new starters as to why Shell has regained its position as an employer of choice.

What lessons would you take from that?

Shell has gone back to basics. They have asked themselves that fundamental question I posed earlier: Why would a talented employee chose to join the company and spend his or her career here?



# Draka



- Mission to provide appropriate wire and cable solutions across the world
- Telecomms, systems, low voltage and special purpose cables
- Grown to N° 3 in Europe after Pirelli / Alcatel
- 60 companies in 25 countries in Europe, US and Asia
- Seeking sales synergies to exploit new markets
- Succession planning for top executives and next tier down

Second case I like to look at is Draka. I am sure you know Draka. Some details you can see on the slide.



# Draka



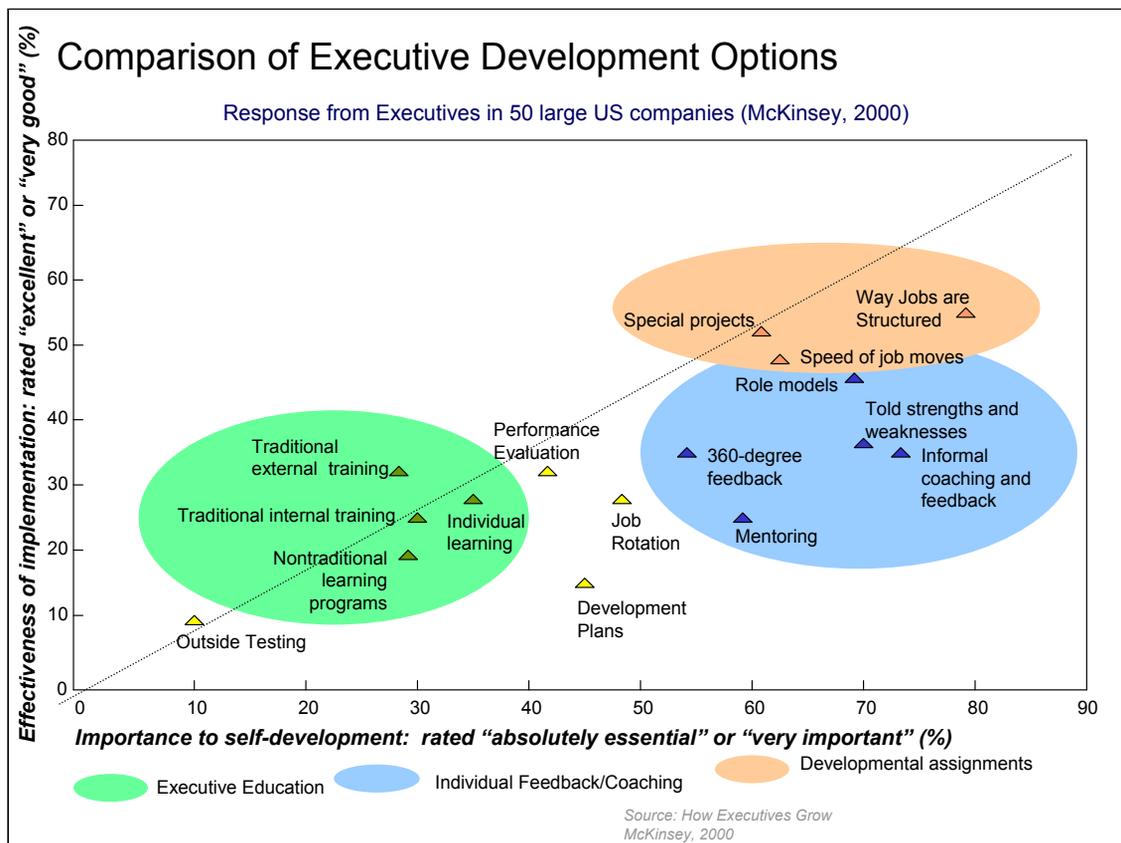
## Four level Talent Management strategy

- Level 1 Board / Director development University of Barcelona
- Level 2 Masterclass for future international leaders
- Level 3 Local management development / core curriculum
- Level 4 Local technical training and development



Draka has created a talent management strategy for 4 levels, as you can see on the slide.

What I want to do now, is to look in more detail at level 2, the master class program. I think, this program is having the most and immediate leverage or payback for Draka at the moment.



First I look at some of the insides that underpinned the design of the Draka master class program.

This slide may be a little bit difficult to read. Basically this chart is the response to a McKinsey survey, in which managers were asked about various methods or means of developing people.

The horizontal axis shows, how important that method was rated, and the vertical axis shows, how effective that method was rated.

The further to the top and to the right the more important and the more effective the method is.

The key message to take from this chart is in the upper right hand corner of the chart, where it is special projects, the way jobs are structured, the speed of job moves, it is feedback and coaching, which are much more effective than traditional training courses.

This is not a big surprise, but it is interesting to show it in this format. I am not saying, that anything is wrong with traditional training and development, just that there are some much more powerful ways of developing people, you really need to look at and utilize. This was the basis for the design of the Draka master class.



## Draka Masterclass



- During 2000, CEO involved in selection of 16 high potential participants from US, UK, NL, Spain, France, Germany, Sweden, Finland, Thailand
- All participants interviewed in Amsterdam by HR Director and consultants
- Masterclass programme designed – 8 modules over 18 months
- Each module located at a Draka plant in every continent, to focus on real business projects identified by Board

Here you can see some highlights of the master class program during the year 2000.

All participants were supported by continuous coaching and inputs from business school experts.

So far Draka is achieving significant benefits from this. For example, the accelerated appointment of participants into more senior roles, much stronger networking and crossborder communications as a result of the activities of this first group of 16, and fundamentally the retention and motivation of a key group of people.



# Kodak

- Mission to be the world's leading info-imaging company
- Photography, imaging, document management, inkjet, graphics
- Traditional photographic business under threat from digital imaging technology; consumer market badly hit by effects of 9/11 in US
- Working under severe cost constraints
- Decision to reinforce EVP through global, mandatory Performance Management processes to ensure all employees
  - Know what's expected of them
  - Live the Kodak "Values"
  - Get regular feedback
  - Gain recognition through differential pay awards

The last example deals with Kodak. Again, I am sure, that everyone of you has used a product of Kodak. Some facts about Kodak you can see on the slide, in particular their approach to EVP.

# Kodak

- *Everyone* has performance objectives / measures, not just for results (outcomes) but also for behaviour (Values) required
- *Everyone* get honest feedback and formal performance reviews
- Exceptional contribution is *recognised and rewarded* through pay and bonus
- *Underperformance* is tackled by line managers, not by HR
- *Managing people well* is recognised and rewarded

Here are some more details, what this means for Kodak and how every employee is effected by it.

This brings me to the end of the examples I want to talk about.

# Lessons?

- All examples are businesses under severe pressure to deliver value to shareholders in face of competition, technology change, poor market conditions
- None has a “perfect solution” to attracting, retaining, motivating talent, but they have taken a strategic decision to *ACT!*
- *It requires only an act of will to initiate a similar action plan in your business*

What lessons might you take from these case studies?

Here are some points listed on the slide.

My final thought to you is:

All it takes is an **act of will** to initiate similar actions inside your own business.

Thank you very much!