Executive summary of the Closing conference “Partnership for the development of HR field”

Thursday, 10 June 2010, Hotel Pullman Bucharest

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3.3 Conference agenda – part I

Thursday, 10 June 2010, Hotel Pullman Bucharest

Time	Title of the session	Speaker (s)
08.00 - 09.00	Participants` registration	-------
09.00 – 09.45	Official opening of the conference	Csaba Gergely, HR Club
9.45 – 10.30	Trends and practices in HR	Anca Amariei, Daedalus MB
10.30 – 11.00	Coffee break	-------
11.00 - 12.30	Keynote speech“Leading Change”	Maury Peiperl,IMD Lausanne
12.30 – 14.00	Lunch break	-------

3.3 Conference agenda – part II

Thursday, 10 June 2010, Hotel Pullman Bucharest

Time	Title of the session	Speaker (s)
14.00 - 16.00	Workshop “Compensations and Benefits”	Andreea Voinea, BCR and Alina Popescu, Hay Group
14.00 - 16.00	Workshop “Performance Management”	Csaba Gergely, Provident Financial and Harry Meintassis, Hay Group
14.00 - 16.00	Workshop “Organizational Development”	Simona Simion Popescu, Xerox and Florin Petean, CDM Cluj
14.00 - 16.00	Workshop “Human Resources Strategy”	Gabriel Matauan, Lafarge and Horatiu Cocheci, PwC
16.00 – 16.30	Coffee break	-------
16.30 – 17.30	Plenary session and official closing of the conference	Workshop moderators

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1. Official opening of the conference

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Romania in 2008 and 2009

Economic outlook 2008	Economic outlook 2009
• Romania was one of the leading markets in CEE in 2007 • Executives rate Romania as 2nd best potential market over the next 3-5 years • Nearly all companies reported growth and for 71% this was double digit growth • The market is tightening up as more companies have been lured by high sales growth • Romania has definitely become one of the hot growth markets *The Economist, February 2008*	• 36% of firms expected sales performance to improve in 2009, while 27% expect sales to worsen • Firms posted a 10% sales growth forecast, among the highest in the region • At the end of Q3, 59% of companies said they expect collecting receivables will be more difficult in 2009 • 32% of firms are planning to slash advertising and promotional budgets, 10% to lay off white-collar staff, and 7% delaying manufacturing investments *The Economist, January 2009*

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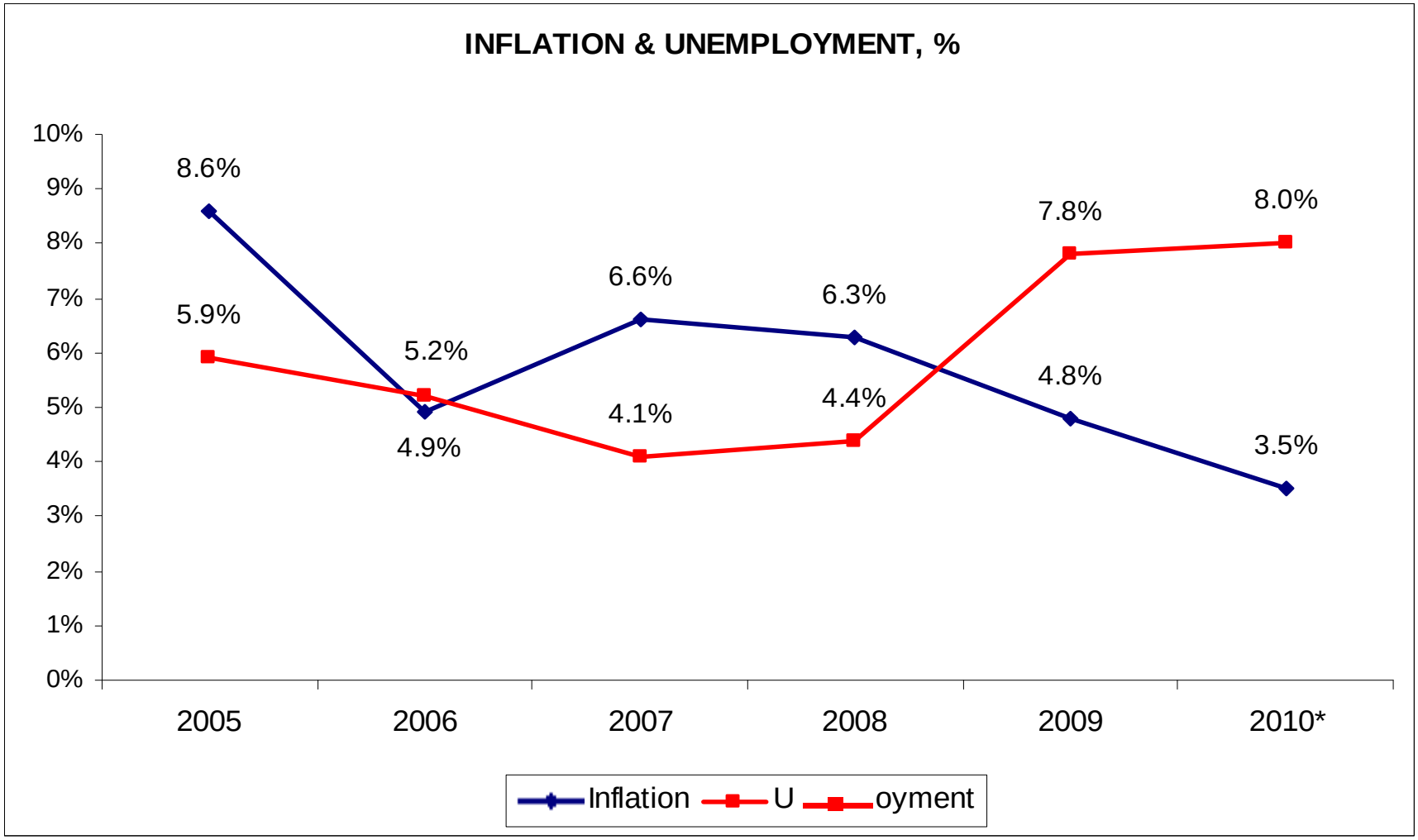
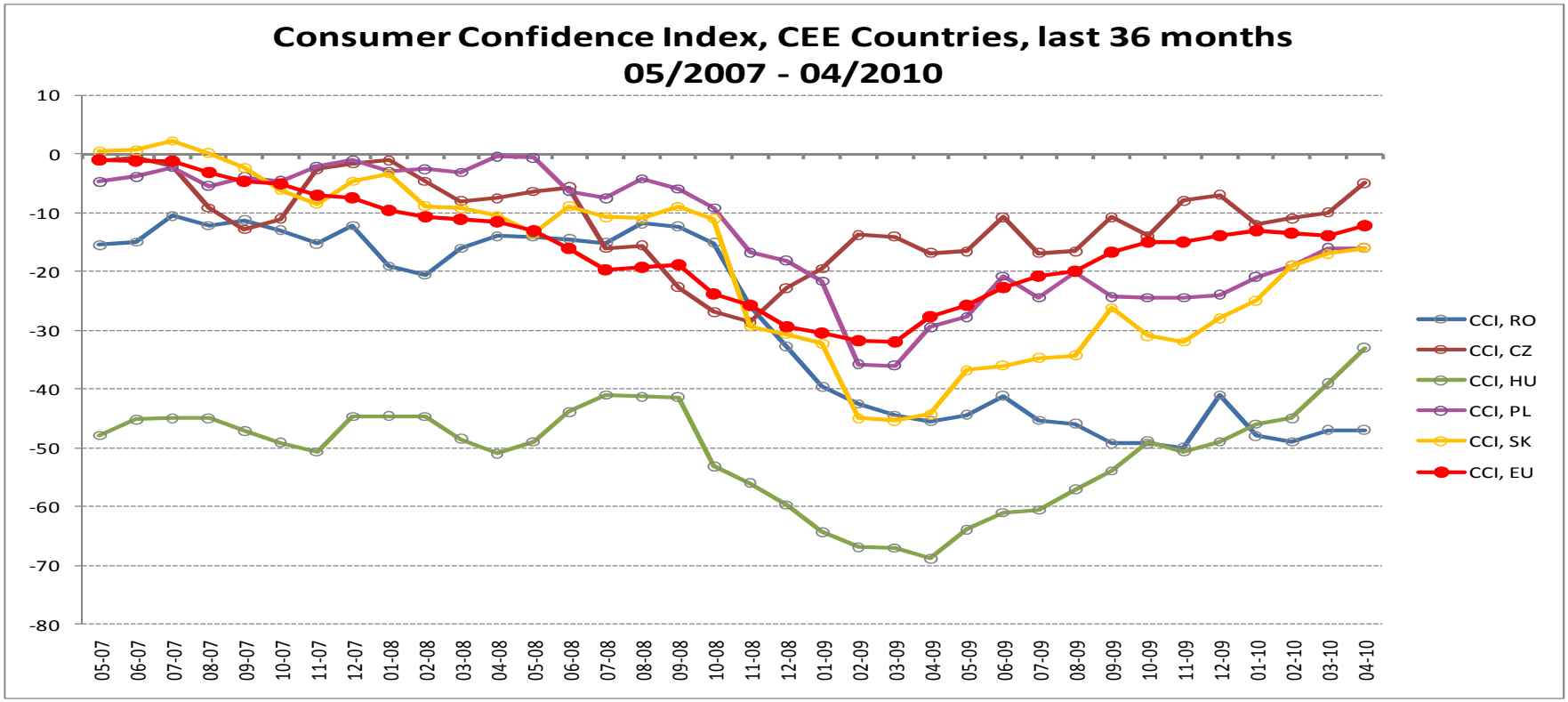
Romania in 2010 …



Consumer Confidence Index (CCI) is an aggregate used by European Commission and is calculated form the same formula from the year 1985. Actually CCI covers all 27 countries and is weighted by the volume of consumers spendings in each country. The CCI below is seasonally adjusted.



CCI is calculated on a basis of the following questions: How do you think the financial position of your household will change over the next 12 months? How do you think the general economic situation in this country will develop over the next 12 months? How do you think the level of unemployment in the country will change over the next 12 months Over the next 12 months, how likely are you to be able to save any money?

2. Trends and practices in the HR field

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At european and international level

Key priorities in 2010*	Key priorities in 2009*	Key priorities in 2008*
Leadership development	Leadership development	Leadership development
Talent management	Talent management	Talent management
Employees` commitment	Strategic workforce planning	Strategic workforce planning
Performance management and rewards	Performance management and rewards	Employer brand

* Source: “Creating People Advantage. How to tackle the Major HR Challenges During the Crisis and Beyond” survey undertaken by The Boston Consulting Group, EAPM and WFPMA during the years 2008, 2009 and 2010.

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Employee`s commitment challenge

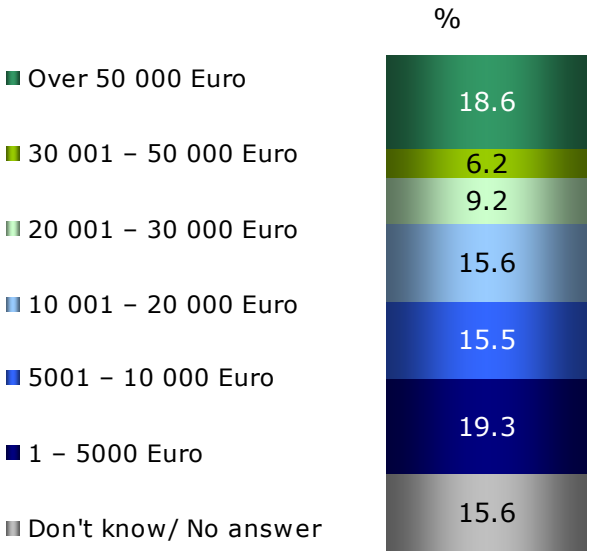
TMI
inspiring change

HR Budget in Q1/ 2010 and its dynamics

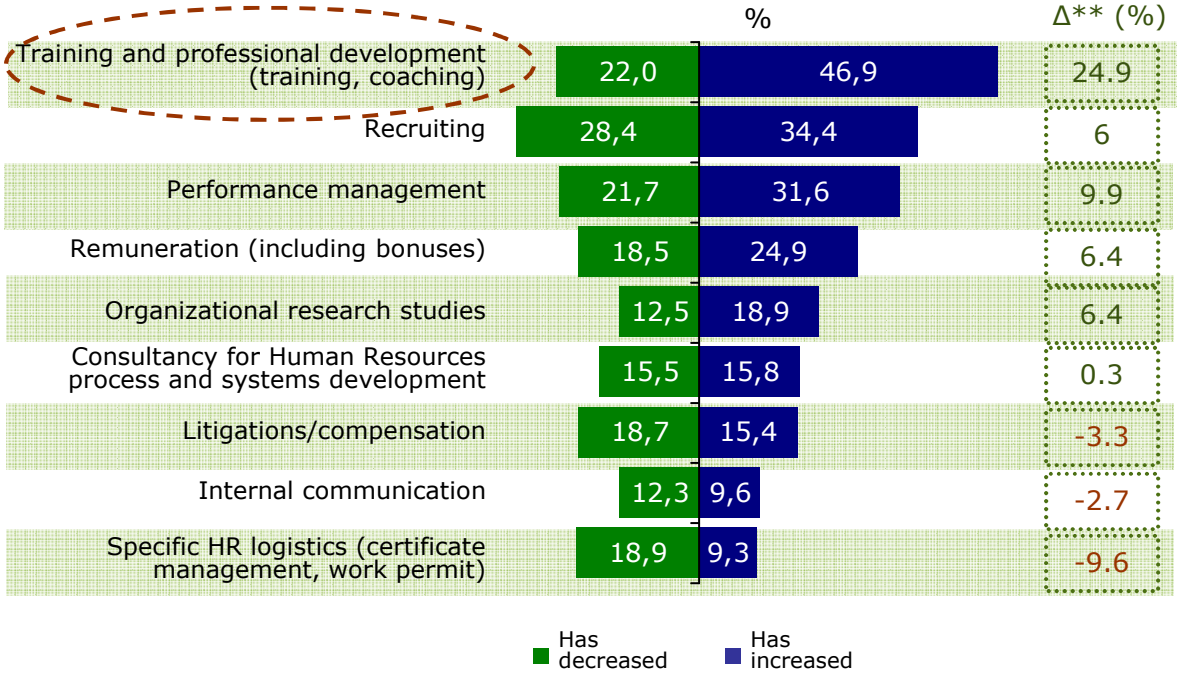
Human Resources Strategy

Base:
N*=32

The HR budget in Q1/ 2010



Dynamics of HR budget in Q1/ 2010 vs. Q4/ 2009



*Base: Organizations who have HR budget in the 1st q/2010

**Δ = %Increase – %Decrease

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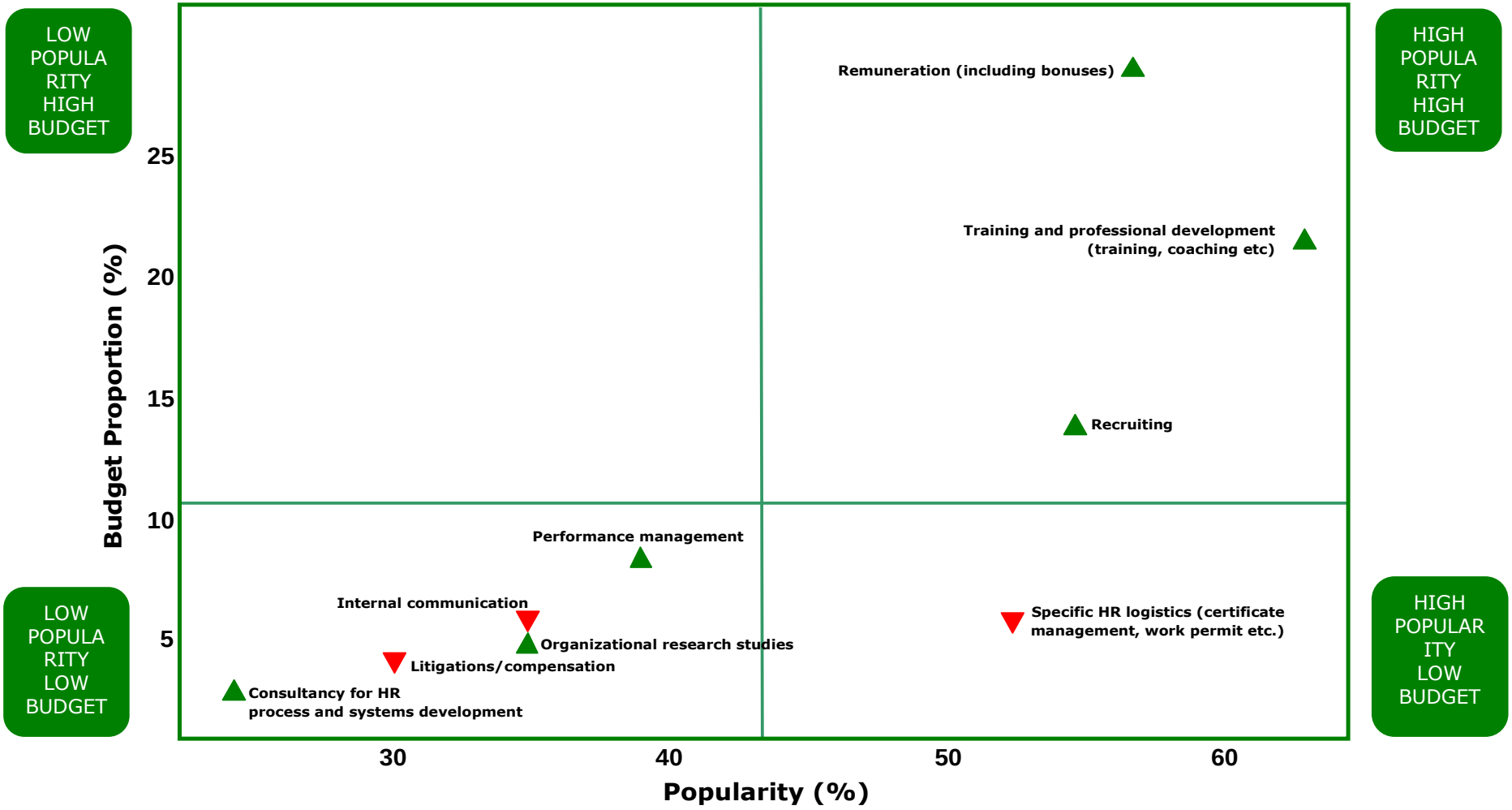
HR Budget Priorities in Q1/ 2010

Human Resources Strategy



▼▲ Decreased/ Increased in Q1/ 2010 as compared to Q4/ 2009

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Budgeted salary increase for 2010

Sector	All staff	
	Increase	Basis
Consumer Goods	45%	*22*
Financial Services	60%	*20*
Industry	85%	*20*
IT&C	71%	*14*
Pharmaceuticals	100%	*22*
Overall market	**72.4%**	***98***

% of companies performing salary increases

Chart 2.2.2 Salary increases – 2010 salary adjustment policy – by staff categories

Sector	All staff		Management		Operational		Sales		Support	
	Budgeted increase	Basis	Budgeted increase	Basis	Budgeted increase	Basis	Budgeted increase	Basis	Budgeted increase	Basis
Consumer Goods	4.6	*10*	4.4	*10*	4.5	*10*	4.6	10	4.6	*10*
Financial Services	5.5	*12*	5.7	*12*	5.4	*12*	5.7	12	5.5	*12*
Industry	7.1	*17*	7.1	*16*	7.0	*17*	7.3	16	6.9	*17*
IT&C	5.3	*10*	5.3	*9*	5.4	*10*	5.2	9	5.2	*10*
Pharmaceuticals	6.9	*22*	7.0	*22*	6.3	*22*	7.1	22	6.9	*22*
Overall market	**6.0**	***71***	**6.2**	***69***	**5.9**	***71***	**6.2**	**69**	**5.8**	***71***

The increase rates are calculated from the 71 companies that have budgeted salary increases in 2010.

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Salary increases in 2009

Sector	All staff	
	Increase	Basis
Consumer Goods	50%	*22*
Financial Services	60%	*20*
Industry	80%	*20*
IT&C	79%	*14*
Pharmaceuticals	86%	*22*
Overall market	**70.4%**	***98***

% of companies performing salary increases

Chart 2.1.2 Salary increase rates - 2009 salary adjustment policy – by staff categories

Sector	All staff			Management			Operational			Sales			Support		
	Budgeted increase	Actual increase	Basis	Budgeted increase	Actual increase	Basis	Budgeted increase	Actual increase	Basis	Budgeted increase	Actual increase	Basis	Budgeted increase	Actual increase	Basis
Consumer Goods	8.2	6.2	*11*	8.4	5.8	*9*	8.3	7.0	*11*	8.1	5.6	*10*	7.9	6.3	*10*
Financial Services	7.3	5.3	*12*	7.3	5.2	*12*	7.3	5.7	*12*	7.7	5.3	*12*	7.2	5.2	*12*
Industry	10.5	7.4	*16*	11.0	7.9	*15*	10.9	7.3	*13*	10.1	7.5	*14*	9.9	7.1	*14*
IT&C	9.0	7.4	*11*	9.0	7.2	*10*	9.0	8.0	*11*	9.5	7.3	*10*	8.9	7.3	*10*
Pharmaceuticals	10.1	9.3	*19*	9.6	9.6	*17*	9.2	9.0	*18*	11.0	10.5	*19*	9.2	9.0	*18*
Overall market	**9.0**	**7.5**	***69***	**9.1**	**7.6**	***63***	**8.9**	**7.4**	***65***	**9.2**	**7.8**	***65***	**8.6**	**7.0**	***64***

The increase rates are calculated from the 69 participants that reported salary increases in 2009.

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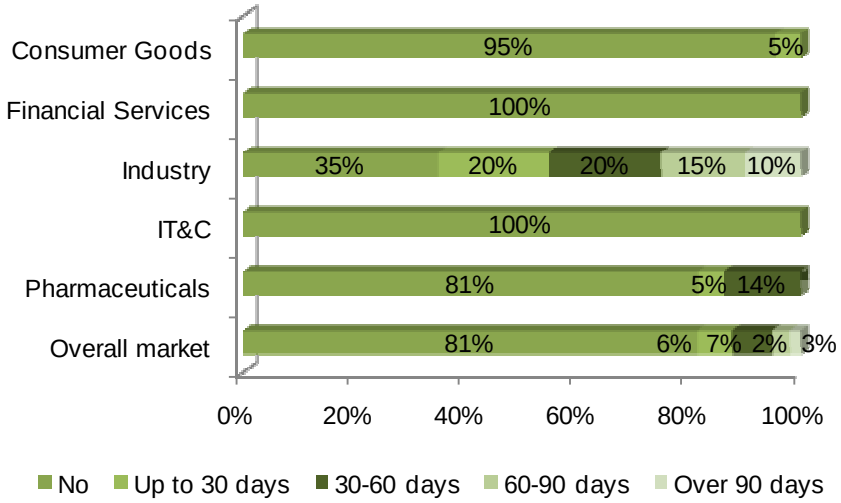
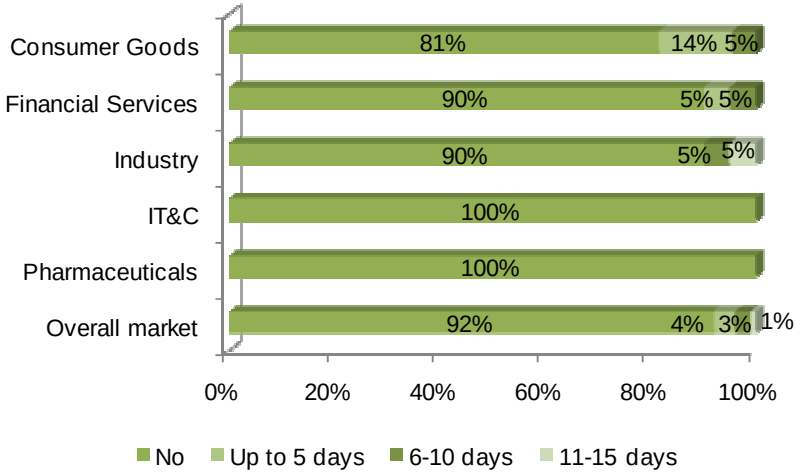
Other HR measures regarding labour force

Technical unemployment in 2009



Unpaid leave in 2009



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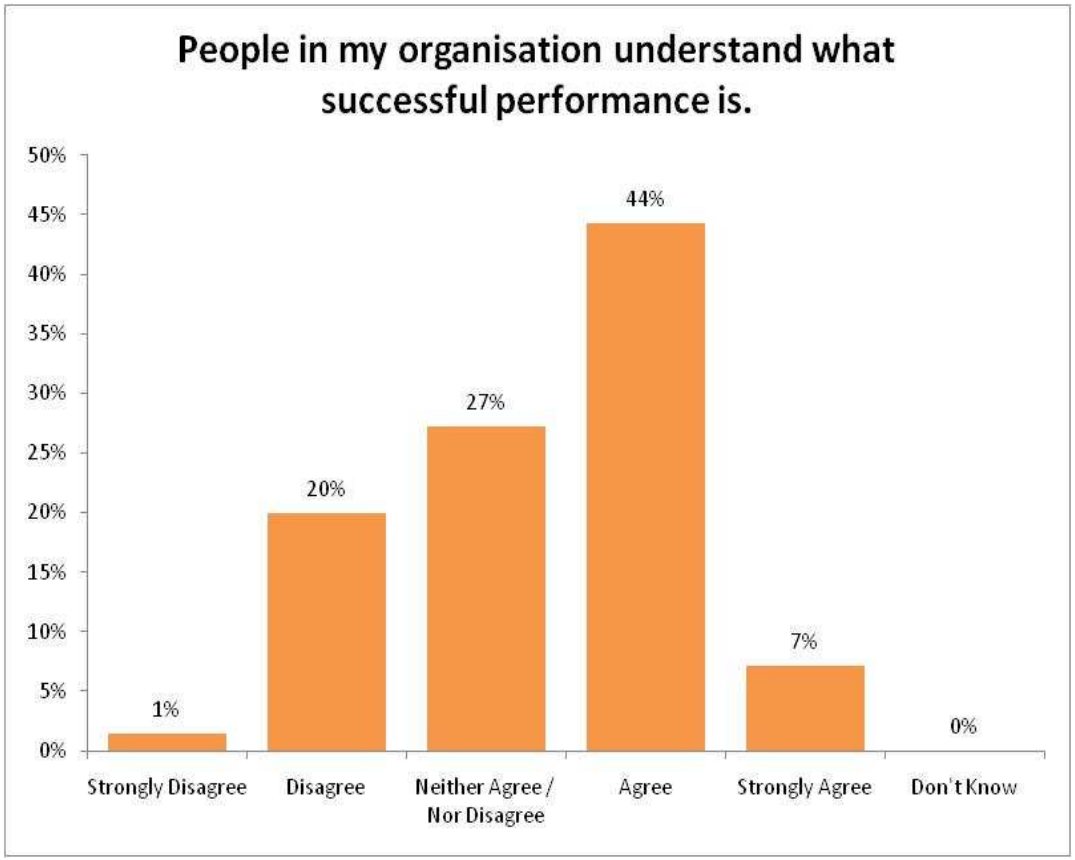
Communicating what successful performance is critical

50% of respondents believe that organisations have sent clear messages of what "successful performance" is



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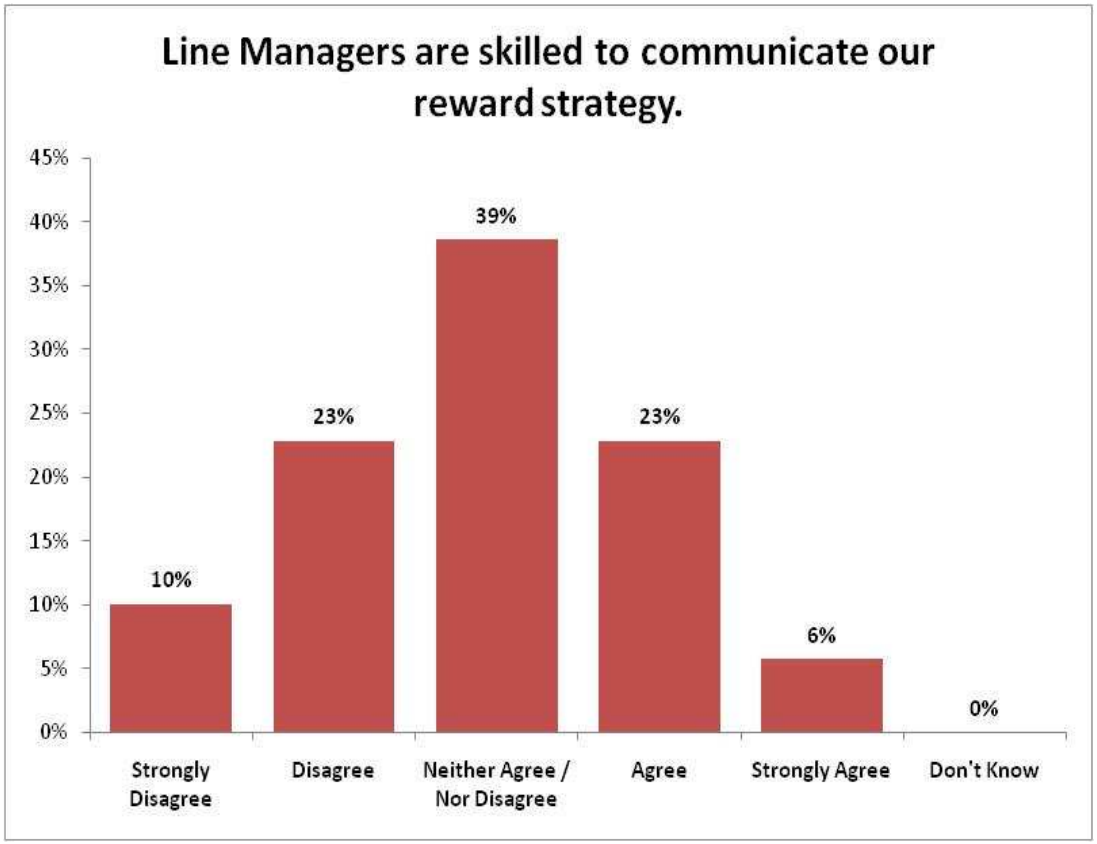
Communicate the reward strategy

Less than 30% of respondents say that Line Managers are effective to communicate the reward strategy



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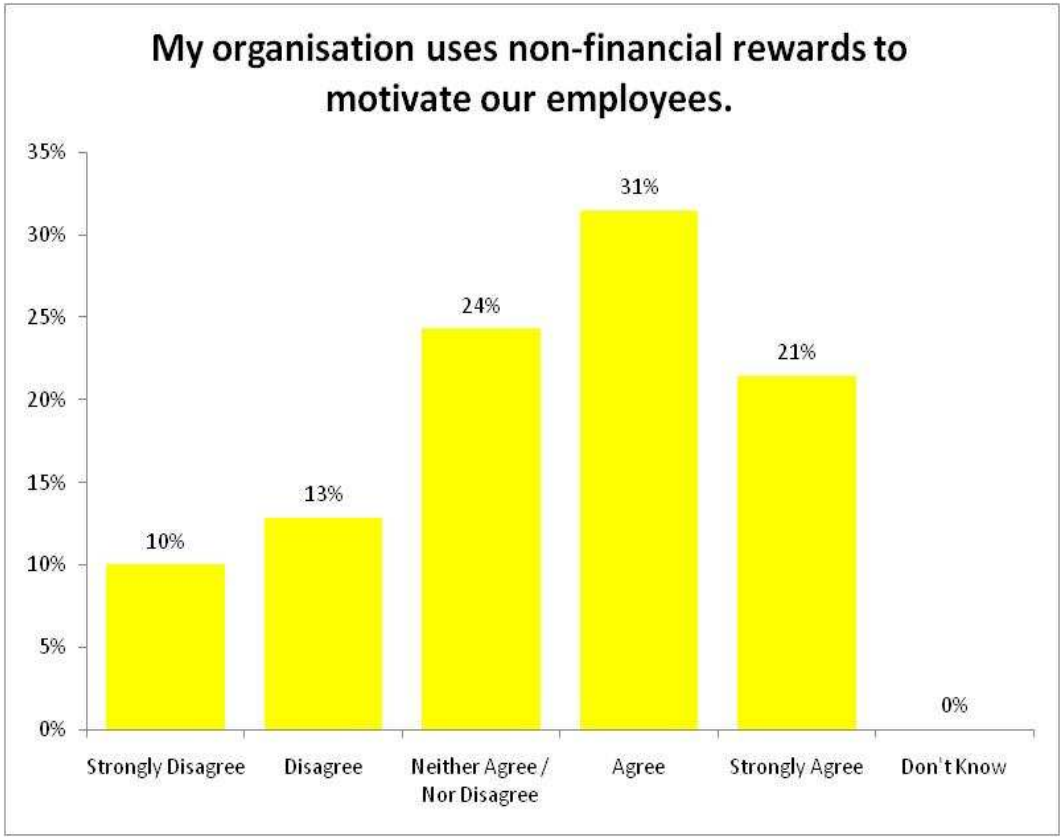
Non-financial rewards are equally important…

Just 52% of organisations use non-financial rewards to motivate employees



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HR Practices in Q1 of 2010

Q1/ 2010 compared to Q4/2009 …

- 4 out of 10 organizations have operated restructuring plans, and the number of positions affected raised
- Half of the responding organizations have implemented change projects in Q1 /2010
- Recruitment plans included more employees, with specialists being at high demand

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3. Keynote speech – “Leading Change”

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Maury Peiperl

- Professor of Leadership and Strategic Change, IMD Lausanne
- Co-author of the top handbook “Managing Change” (McGraw-Hill)
- Graduate in Engineering from Princeton University; MBA and PhD from Harvard University

- Collaborations with IBM, Merrill Lynch, Adecco, Deloitte, CCHBC, EDS, UPM, GlaxoSmithKline, Nortel Networks or Rentokil Initial
- Academic activity at Harvard Business School and London Business School

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Key messages – Maury Peiperl, IMD

“We do not have to change, because staying in business is not compulsory.”

W. Edwards Deming, 1900-1993

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Change and vision

✓ The old definition “Change is a vision which you achieve” has **transformed** into “Change is all about adapting a vision”

✓ **Good visions** are:

- Clean, concise, easily understood;
- Memorable;
- Exciting, inspiring;
- Challenging;
- Excellence-centered;
- Stable, but flexible;
- Implementable and tangible.

(Todd Jick)

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“Ten Commandments” of Change

1. Analyze the organization and its need for change;
2. Create a shared vision and common direction;
3. Separate from the past;
4. Create a sense of urgency;
5. Support a strong leader role;
6. Line up political sponsorship;
7. Craft an implementation plan;
8. Develop enabling structures;
9. Communicate, involve people, and be honest;
10. Reinforce and institutionalize change.

(Todd Jick)

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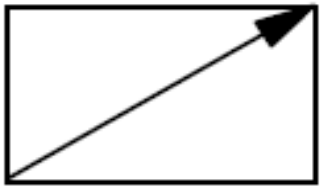
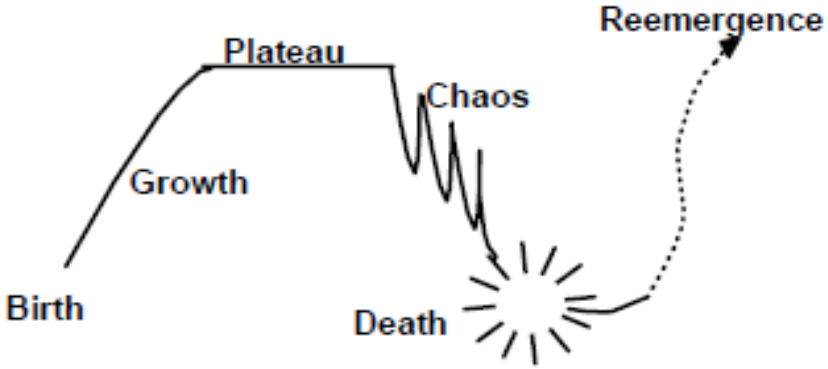
New models for change …

Developmental Change



Transitional Change

Transformational Change



(Linda Ackerman Andersen)

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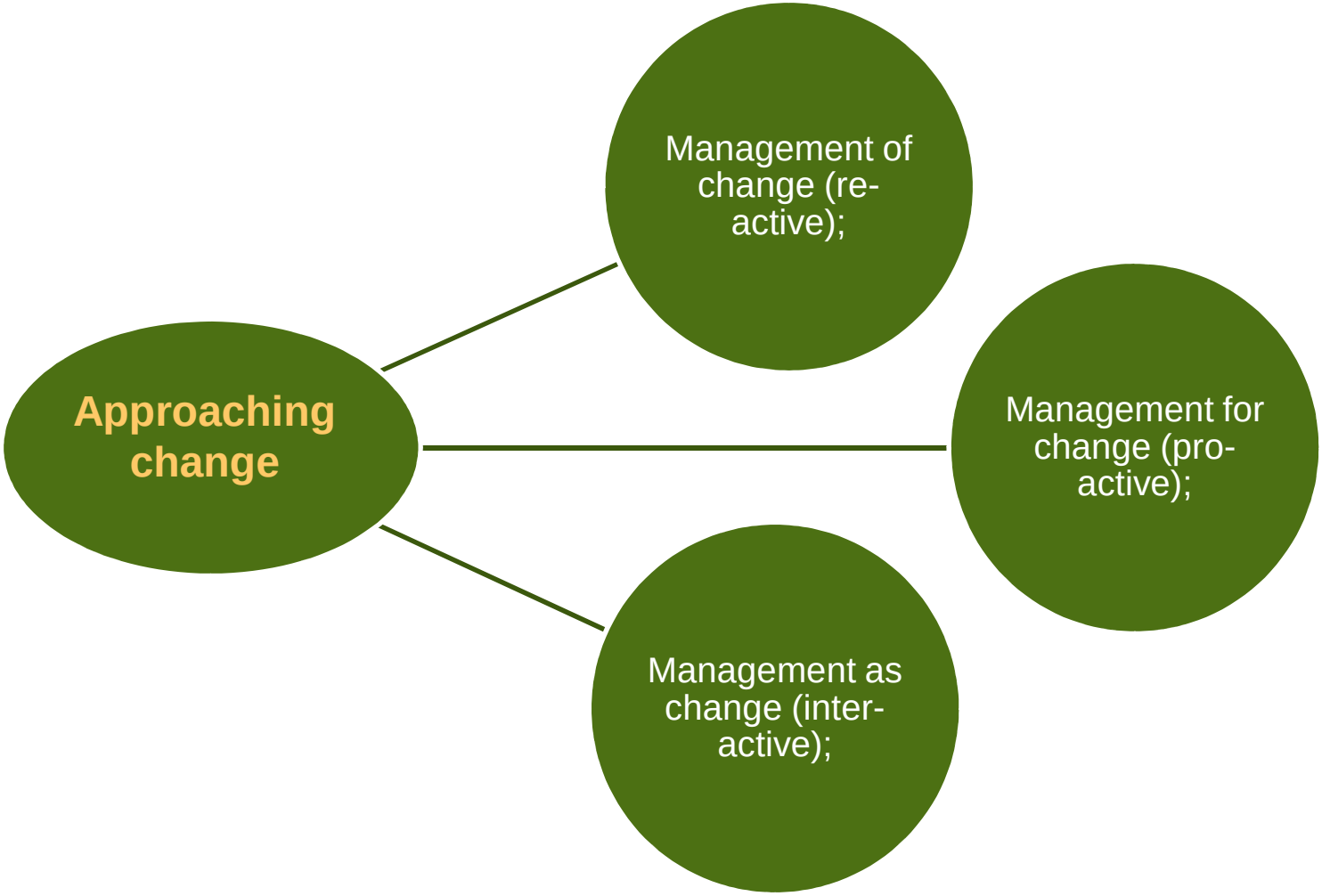
Approaching change



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4.1 Workshop “Compensations & Benefits”

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International Trends in Reward

Increased **emphasis on compliance of global reward policy and programs**. This is driven by a desire to create consistency of key objectives across the organization and to reduce costs and risk.

Retain engagement and talent with a competitive total reward package, with a focus on the non-financial elements of reward such as career development, work-life balance and job security.

Communicate frequently and effectively with your employees

(92% of the World's Most Admired Companies)

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Current Reward Challenges

- Alignment of remuneration packages with competitive market and the value-added of each individual performer; decreased expectations of candidates
- Redesign of performance management systems to accommodate new business needs (e.g. risk adjustments, triggers for overall company performance, deferral mechanisms, increased importance of qualitative KPIs, e.g. Customer Satisfaction Index)
- Increased importance of individual performance in performance management systems and increased importance of consequence management
- In-depth understanding of business needs and strong partnership with the business in building up reward schemes
- Communication campaign to ensure buy-in of participants; partnership with employee representatives (i.e. Unions)

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Lessons Learnt

- "Line of sight" = keep it simple
- Ensure buy-in of senior management
- Listen to business needs; input from participants and validate design with the business
- Ensure fairness and equity in making pay decisions (equity is a driver as important as market competitiveness)
- Ensure balance between Board demands and cost constraints on the one hand, and business needs on the other hand
- Run appraisal committees to ensure consistency of performance outcome and pay levels for senior managers
- Allow a certain degree of flexibility in decision making to be exercised by the managers (managerial empowerment)

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4.2 Workshop “Organizational development”

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The framework

The Organizational Development Wheel ®, Linkope

> Controlled organizational transformations must take into account all these elements, especially the culture, the structure and the processes

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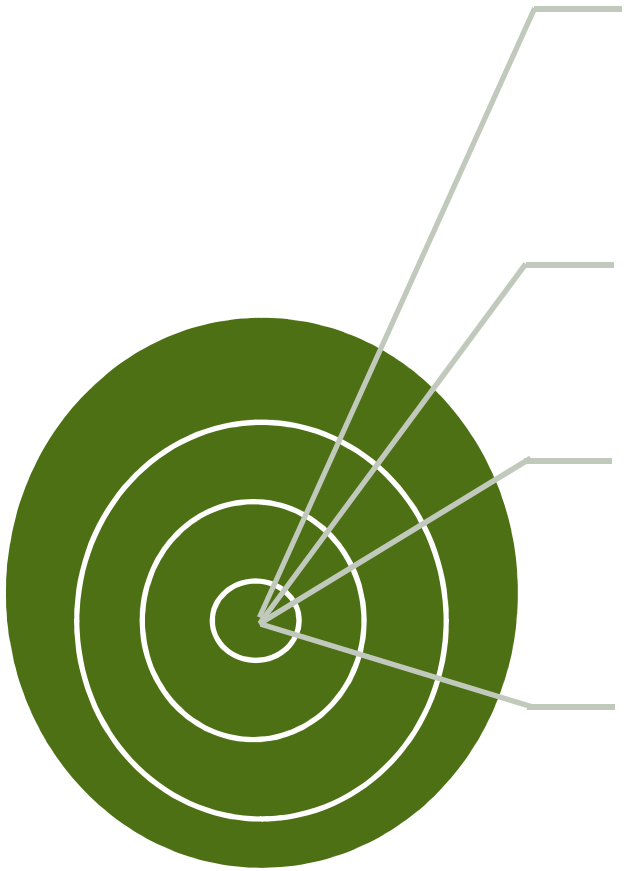
Key discussion points - subgroups



Group 1:
How do we shape behaviors; drivers and obstacles in implementing change;
How to ensure employees` commitment for change;

Group 2:
Xerox experience related to org. development;
The OD effort / timing;

Group 3:
OD in mergers and acquisitions;
Downsizing and implications on the organizational structure;

Group 4:
Subcultures;
Cultural patterns in large organizations;

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OD: From challenge to solution

- Challenges

* Inadequate communication of change;

* Lack of top management involvement;

* Inadequate management of expectations (conflict between generations; resistance to change)

- Solutions

* Transparency is different from internal communication;

* Gaining trust by showing benefits;

* Using change agents;

* Determining desirable behaviors;
* Tracking behaviors through measurement.

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Other dilemmas, challenges, solutions

Buying in your CEO

- How sustainable is the cultural transformation?
- Culture during mergers and acquisitions (or changes in the organizational structure)
- Compatibility with organizational values
- Values – bottom up and vice versa
- Aligning processes and systems
- Diagnosis tools
- Individual vs team and the performance management
- Managing change – the fear of change
- The lengths of the change process (minimum 2-3 years)
- When do we start change implementation?
- When do you know you succeeded in change management, when do you abandon change projects?

HR as change agent

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4.3 Workshop “Performance management”

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PM – workshop discussion point

1. Key success factors in performance management
2. How to redesign the existing PM systems?
3. How to implement PM without budget?
4. Tools to be used during a PM process
5. Connection between performance management & change
6. Link between Talent and PM systems
7. Building the business case for PM

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Critical Success Factors on Managing Performance

Planning	Coaching	Reviewing	Rewarding
Understanding what good performance is	Ensuring good performance	Assessing how good/ poor performance was	Reinforcing good performance
■ Performance planning is a core business process ■ Translates strategic intent into understood goals/actions ■ All aspects of performance are considered ■ Objectives include behaviors in addition to results ■ Employees play a strong role in the performance planning process ■ Obstacles to good performance are identified and dealt with	■ Managers are selected for and held accountable for effective coaching ■ Managers and employees are trained in and are good at coaching ■ Modeling of coaching behaviors is critical (this includes the executive levels) ■ Managers create the climate for superior performance ■ Interim reviews are done (formally) ■ Coaching interventions are frequent and are focused (less formal)	■ Initial self-assessment is critical ■ Open, two-way communication is critical ■ Discussion include both performance evaluation and development opportunities ■ The role of Human Resources is value-added vs. controlling ■ No more than a four-point rating scale is necessary ■ People are rewarded for results	■ Salary discussion is separate from performance/ development discussion ■ Increased clarity regarding how performance is rewarded ■ Distinctive rewards for different aspects ■ Use of both monetary and non monetary rewards

- Identify what
- Clarify how
- Commit
- Monitor
- Give feedback
- Get feedback
- Act on feedback
- Build self-esteem and capability
- Summarize total performance
- Rate performance
- Strategize for improved performance
- Apply a broad spectrum of rewards in a focused way

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Keys to effective Variable Pay

Create a performance culture **1**	Communicate and think in terms of total rewards **2**	Align to business strategy **3**	Balance fixed and variable pay **4**
Make a thorough assessment of risk **5**	Reassess performance criteria **6**	Assess ROI **7**	Engage line management **8**

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Performance management

The Competency Matrix:

Finance	Customers	Processes	People	IT&C
Revenues, costs structure, key financial indicators	Market share coverage, brand. customer satisfaction	Technology, quality management	Technical and business development skills, climate, clarity	Internet, new technologies

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What are the international trends in PM

- Not one “single best practice”
- What matters is Integration and Fit – PM and HR practices (reward, career management)
- Alignment between strategy and performance management
  - what is our competitive advantage? what are the few vital KPIs that “tell the story of our strategy”? are we consistent with our values? Do we measure/promote the leadership behaviors & competencies?
- Strategic Scorecards increasingly used to
  - build the right balance between financial and non financial objectives (such as customer management, innovation, brand power, people engagement, social responsibility)
  - to clarify inter-accountabilities (cross functional) to achieve these objectives
- Best leaders aim to build skills on setting ‘vital few’ goals with line of sight to the business strategy and hold people accountable.
- Action-based learning is the best way to “prepare” managers to implement PM
- Real time coaching will be required from managers; focus on the quality of the feedback rather than merely the system;
- Emphasis on simplicity, dialogue; shift from “appraisal” to “ownership” mindset (commitment and engagement)

…What is happening today in Romania?

- Today, PM strongly focused on “appraisal based on targets” (MBO).
- Awareness that PM is part of a change implementation process.
- Includes hard elements (targets) and soft elements (“Attitude”, skills, competencies)
- Improvement needed in conducting performance reviews; setting high-quality goals; giving of feedback. how to hold people accountable.
- Need to demonstrate a balanced “portfolio” of styles – shift from control/directive to coaching and visionary.
- Growing appreciation that performance management is at the heart of culture transformation: accountability, engagement, participation and development
- How do we make the next step?

Other ideas from the PM workshop

1. Talent is not only about the top 10%: it`s about solid contributors as well
2. The challenge is: how to do extraordinary things with ordinary people?
3. Making sure things are happening is top priority
4. Consequence management is vital: have processes in place
5. The role of HR is to help line managers do the performance mg. better
6. It is both about the WHAT (role) and the HOW (skills + behaviors)
7. Objectives need to be “SMART”, the results need to be NUMBERS

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4.4 Workshop “HR Strategy”

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HR strategy - The big picture

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HR strategies – where to start from?

There are three tiers of HR strategies:

1st tier
- Strategies that develop the HR function itself and make it more efficient / effective

2nd tier
- The "internally focused HR strategy" with actions created inside the organization in order to help the business

3rd tier
- The "externally focused HR strategy" with actions targeting at helping the business sell more and/or produce better quality for clients

A strategic HR department covers all three tiers

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HR strategy – how to go along?

What does an HR dept need for successfully implementing its strategy?

- A trustworthy leadership of the HR department
- A supportive, HR-oriented Board and CEO
- A strong connection with line managers
- Understanding the business and its needs

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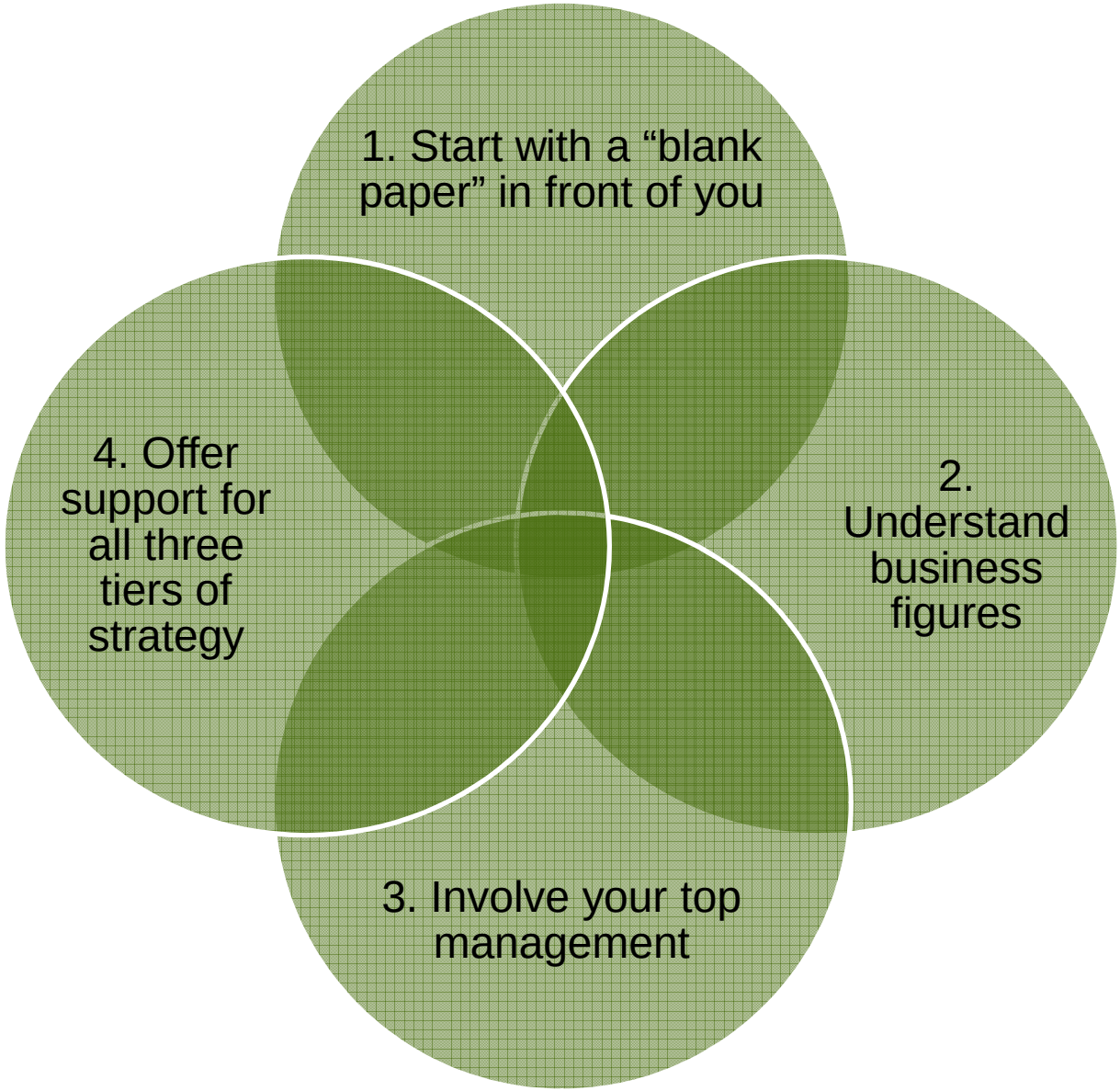
Pre-requisites for designing HR strategies



Thank you!

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