

conversations on leadership

Do the right thing and do it well

*The evolving role of HR – insights from
leading companies around the world*

Who is best in class in HR these days?
Which companies do you rate for HR and
why? We are asked questions like this
frequently during the course of our work.
It is an easy question to ask but very hard
to answer.

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At least it's very hard to answer with precision. This is partly because what is required in one company will not be appropriate for another, for all sorts of reasons. Relevant factors include the size and complexity of the organization, its history, state of evolution, the current and desired culture of the group, financial health and available budget, time horizons, specific national and/or regional pressures, whether the group intends to be managed as one fungible organization or run as separate divisions with autonomy and individual characteristics and so on.

Nevertheless, this doesn't mean that the question is not worth asking or that we shouldn't try to provide an answer. In order to do so, we started by talking to a number of the CHROs who lead the function in companies that feature in a ranking of the world's most admired companies, a list developed by Fortune Magazine. We spoke to eleven companies to gather their views. Fortunately, despite the disparity in sector and business challenge, a number of consistent themes emerged that are applicable to most companies. Overall, there were seven areas to highlight.

Consistent and disciplined management attention on building a pipeline of talent

One of the first things that emerged in all of our discussions is how engaged the CEO and the leadership team are on the talent management agenda. This isn't a topic that is passed down to the HR function. It is a core element of every senior executive's professional agenda and an integral part of the annual business cycle.

For example, the Nestlé management board meets twice a year for one day to discuss the top positions and the top talent in the group. In addition, at the monthly board meetings they set aside at least an hour to people issues. This approach is cascaded throughout the organization, with similar time devoted to the topic at all levels.

“We've worked hard at being both sensitive and creative in our talent assessments. Circulating talent is critical to our talent development strategy.”

Bill Strahan – CHRO, Comcast

BMW has a similar approach. Moreover, it places a great deal of attention on ensuring that divisional leaders cross-calibrate the talent in each other's divisions and also commit to helping develop talent in all parts of the group, taking on individuals from other businesses to help enhance their experience and prospects. Comcast is also keen on this notion. As CHRO Bill Strahan commented, “We've worked hard at being both sensitive and creative in our talent assessments. Circulating talent is critical to our talent development strategy.”

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Goldman Sachs also takes care to ensure that all business leaders throughout the hierarchy feel personal responsibility for the talent in their teams and ensuring that individuals fulfil their potential. At ABB one of the key criteria that differentiates more highly regarded senior leaders above others is their ability to spot and nurture the potential in their own teams.

However, this isn't about going through processes or filling in forms. As Roseann Lynch of Ralph Lauren commented, "We believe the emphasis needed to shift from completing the document to ensuring that a meaningful development discussion took place."

L'Oréal also prides itself on building a very close relationship with its employees. As head of HR Jérôme Tixier commented, "We develop a very close relationship with our talent individually... We dedicate an important portion of our time to getting to know them in depth to understand their aspirations... We apply the same skills we require from a recruiter, but internally."

"We dedicate an important portion of our time to getting to know them in depth to understand their aspirations."

Jérôme Tixier – Head of HR, L'Oréal

At a personal level, Jérôme added, "The fact that I still currently carry out approximately 1,000 one-to-ones per year enables me to really personally get to know about 2,000 of the Group's staff, taking into account that the rate of turnover at that level of responsibility is quite low (around 5%). I also regularly participate in round tables with our young employees."

Listen carefully to your colleagues at all levels

Another area highlighted by the executives we met was the attention they give to insights from their own employees. There was a distinct stress on the need to listen carefully to colleagues, to understand not just the headlines but any underlying sentiment and change in expectations.

For example, Bosch saw an opportunity for the younger members of the company, in particular, to play a major role in challenging conventional wisdom. By implementing reverse mentoring on social media, they wanted the youngest generation to really help shape what the group stands for. This isn't just about picking up on tactical matters that might be either of interest or an irritant to junior employees. They look to their staff to provide meaningful input into shaping the long-term strategic direction of the group. Similarly, at Shell, employee engagement scores were found to be directly impacting not just individual performance, which is understandable, but also safety outcomes.

New digital platforms can, of course, help to provide useful data to leaders. L'Oréal partners closely with Glassdoor to gather feedback and has a sophisticated social media communication strategy, which is highly rated by external observers.

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Other companies listen carefully to employees to create a sense of higher purpose and connection with the company. For example, at Caterpillar this led to a strong culture of volunteering as part of the employee value proposition, and many colleagues support local schools and science fairs as part of their work in the group.

Others, such as Ralph Lauren and Nestlé, also place emphasis on the level and quality of responses they gain from employees. At L'Oréal, the company even goes to the extent of adopting a crowd sourcing approach to the development of future social benefits through its “Share and Care” social innovation lab.

Support innovation

Almost every company wants to become more innovative and almost every company also paradoxically appears to do its best to inhibit innovation. This is often because a company can be schizophrenic in the messages that it transmits to its employees. “Be more innovative” is accompanied by rigorous short-term targets and KPIs; failing to meet deliverables is not an option. Naturally, this discourages risk-taking and makes the innovation the company seeks to nurture almost impossible to achieve. HR can play a role in helping to mitigate these competing imperatives. For example, at Nestlé, mistakes are not seen as something to criticise, but rather an opportunity for learning and future innovation. This is institutionalised not just into behaviour but also into the organization’s structure. BMW aims to bring that innovative spirit to a wide group of employees by creating opportunities to “experience the future”. Essentially, these are a combination of input and messages, all the way up to virtual reality, that allow employees to actually live through experiences that are likely to align them mentally to a new desired state and give them an energising and upbeat feeling.

“One of the roles of HR is forecasting the team performance, diagnosing issues and developing solutions to improve efficiency.”

Jean-Christophe Deslarzes – CHRO, ABB

Removing unnecessary complexity is also seen as a key step that HR can play in enhancing creativity. For example, at Bosch there is a determined focus on making the necessary changes happen, starting with an emphasis on more agility and entrepreneurship at all levels. The number of KPIs reported to the Board was therefore substantially reduced and the resulting metrics were focused more intently on three areas: agility (readiness/openness for change), growth and profitability.

At Bosch supporting innovation also ties in with their desire to listen to employees at all levels. For example, Bosch employees could apply to join disruption discovery teams to find and design an innovation concept that disrupts an existing business model of the company. The project helps to look at existing processes from a different perspective. The company finds it challenging but also extremely rewarding to have conventional thinking and traditional beliefs questioned.

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Provide insight

The HR function is now merging with areas that may have traditionally been devolved to other disciplines in order to provide the right level of insight to leadership across the group. Digital is clearly having an impact. At L'Oréal, the number of digital employees has grown from 300 to 1,000 in the space of three years; this has led to a dedicated HR function supporting this group.

Furthermore, many companies are now making considerable investments in more sophisticated employee analytics. This is likely to impact many aspects of the HR function, from workforce planning, attraction, recruitment, potential identification and promotion, retention and employee engagement. Many leading companies are working hard in this area. For example, at Comcast, a detailed review of unplanned employee absence yielded strategies to recoup almost 1,000 annual job hours back into the system. CHRO Bill Strahan remarked, "HR needs to think about the business impact and analysis of these issues that we haven't focused on in the past."

Nestlé is also investing heavily in this area as well as in sophisticated workforce planning to ensure that it has sufficient colleagues with the right skills necessary to deliver the business plan over a multi-year timeframe.

*"We're working hard on data analytics.
We want to ask the right questions
to ensure we're going after insightful data."*

Kimberly Hauer – CHRO, Caterpillar

ABB is also a strong believer in this level of workforce planning, albeit with a willingness to be nimble and agile based on changing market dynamics. Jean-Christophe Deslarzes commented that "one of the roles of HR is forecasting the team performance, diagnosing issues and developing solutions to improve efficiency. We can then assess the probability of achieving results from the point of view of human capital, anticipate the ability of the senior management teams to change their operating models in response to changing market environments in a timely manner and ensure appropriate KPIs are in place."

Perhaps the most critical consideration is to ask the right questions. As Kim Hauer, the CHRO at Caterpillar commented, "We're working hard on data analytics. We want to ask the right questions to ensure we're going after insightful data."

Support development

In view of the rapid rate of evolution in many markets and organizations as well as fundamentally changing consumer expectations concerning communication quality, the development opportunities offered to individuals at all levels by the HR function need to be more agile, responsive and sophisticated.

They also need to be directed at new disciplines. For example, at L'Oréal, a specific digital upskilling programme has been put in place to cover, by the end of the year, both the 1,500 top managers and the marketing populations before being widely rolled out in 2017.

Part of the key to more effective development appears to involve moving beyond traditional training, such as providing distinct experiences that can help individuals flourish. For example, Nestlé set up a Digital Acceleration Centre in 2011, which allows colleagues to work on defined projects for up to 8 months. It also offers field trips to China for its emerging leaders so that they have the opportunity to meet Chinese entrepreneurs and gain a different perspective on their own worlds.

“Our CEO leads by example in development. We believe coaching is not an effort to fix the problem but rather an opportunity to further develop our investment in an executive ... when Tiger Woods was number one he still had a coach.”

Mark Howze – CHRO, Deere & Company

ABB is also keen on providing fresh experiences to help its leaders gain new energy. There are opportunities to move to different business units as well as different countries and a strong recognition that staying in one place for too long can lead to staleness and the risk of plateauing.

In addition, there are changing approaches to how career tracks are managed. For example, at Nestlé it is possible to progress through a project, expert and management route. All three avenues are equally respected and similarly compensated.

At BMW, high-potential individuals are offered a one-year programme, which includes classroom training, field trips and external coaching support. Interestingly, the program also covers physical self-management, including health, sports and diet.

At John Deere, the approach to development extends through the board and executive suite. Board members spend time with the top 100 executives to discuss development and talent strategies, and more than 100 top executives are offered a personal coach to support their development. CHRO Mark Howze remarked, “Our CEO leads by example in development. We believe coaching is not an effort to fix the problem but rather an opportunity to further develop our investment in an executive ... when Tiger Woods was number one he still had a coach.”

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The way standard training and development modules are delivered is also changing. For example, Shell offers just-in-time development delivered through multimedia and personal devices. Nestlé also offers a variety of different platforms that allow colleagues to learn in a way that suits them best, such as virtual training with institutions such as IMD. Jérôme Tixier at L'Oréal sees the key as ensuring that “all of our employees feel respected, supported and developed.”

Where the development is owned is also important. At Ralph Lauren, CHRO Roseann Lynch commented, “We believe in investing in development but it needs to be owned by the person, not the company.” Primacy is placed on the notion that the only person who can own development is the individual executive. There is significant investment available in bespoke development, including individual coaching support, but it needs to be driven by the executive, not the company.

Changing approaches to performance management and compensation

Evolution in other aspects of work means that the approach to managing performance and compensation of the past may also need to change. This can take a variety of forms. For example, the Bosch Performance Bonus for specialists and executives is now based entirely on divisional and company performance. In this way, the company gives greater weight to work across divisional boundaries.

“We believe in investing in development but it needs to be owned by the person, not the company.”

Roseann Lynch – CHRO, Ralph Lauren

At Ralph Lauren, there has been considerable emphasis on reducing the complexity of the performance appraisal process. There is less paperwork and more emphasis on meaningful conversations. For example, the appraisal form has been reduced from five pages to one.

BMW also has a simple construct around appraisal which focuses on managing a business, managing others and managing yourself.

At John Deere, traditional centralized approaches to topics like performance management and compensation have been moved closer to the business. CHRO Mark Howze said, “We wanted to move culture to the business so that we didn't have headquartered teams come up with ideas that weren't needed or wanted in the business.”

There is also recognition at Ralph Lauren that the demands of working life these days are significant and no amount of compensation can mitigate some of the stresses that employees face. Instead there is a focus on providing truly meaningful benefits, especially around the most important life stages that many of us live through, such as becoming parents.

What do you look for in your HR professionals?

In our sample there was a definite emphasis on the HR leaders seeking new recruits who can make a broader business contribution first and who are HR professionals second. As Kim Hauer of Caterpillar commented, “We’re working harder to train people to become better strategic partners. We rely less on functional expertise and more on critical competencies.” There is also recognition at Caterpillar that the HR function can be the cobbler’s children; supporting the best talent development processes for everyone else but neglecting their own. She is keen to ensure that the function role-models what they would expect of colleagues in other departments.

ABB is also seeking to build a cadre of broader business leaders in their HR team and rates executives according to numeracy, commercial business understanding and technical skills as well as the ability to influence effectively. The highest-rated HR professionals are those who are passionate about the business and the culture of the group and who are frequently seen out with the frontline on site visits.

“We’re working harder to train people to become better strategic partners. We rely less on functional expertise and more on critical competencies.”

Kimberly Hauer – CHRO, Caterpillar

Ralph Lauren has a similar approach. It recruits HR professionals who have a natural affinity for fashion and for business, and it is willing to teach the HR profession to those who are intellectually curious. It provides the appealing concept of the “shoelace” career. For example, there was one executive who went from corporate to Japan to HR to retail stores, and his next move was either to be in a brand or HR, without a particular bias for either option.

There is also a wish to ensure that the right level of balanced business exposure is offered. Nestlé sees the HR function as a useful post for P&L executives to help strengthen the connection with business. Shell also prefers to see careers blend generalist skills with technical specialisation, so that executives do not become too narrow too early in their careers.

The changing nature of work also means there are some specific areas with skills shortages. The most obvious of these is around data analytics. Shell has been hiring more econometrists and applied mathematicians in HR, which has not been a traditional location that those with a statistical bent would seek to join.

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Conclusion

So what could you do if you are a CHRO and want to enhance your HR function to the next level?

1. A fundamental step is to ensure that ownership of the talent agenda truly rests with the P&L leaders. It should be seen as a core component of their responsibilities, and attention on the topic must be consistent and disciplined.
2. Spend time thoughtfully understanding the root cause of issues, rather than treating symptoms. This applies to all aspects of the role, but key areas include more intelligent analytics, listening carefully to colleagues and ensuring focused and effective development intervention.
3. Strive for simplicity and be adaptable in how any service is delivered – expectations are fundamentally different today than they were even just five years ago and are likely to continue to evolve at speed.

This can all perhaps be best summed up with the elegant maxim of Peter Drucker, as quoted by the CHRO of Nestlé: “Do the right thing and do it well.”

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Who We Talked To



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Heike Schneeweis
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