

Krannert HR Executive Conference September 21, 2012

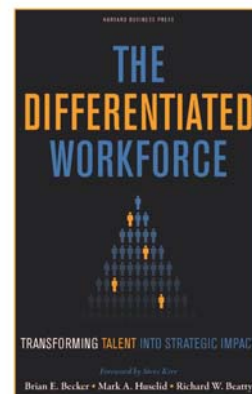
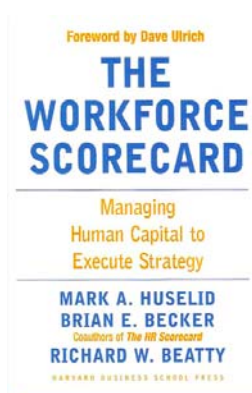
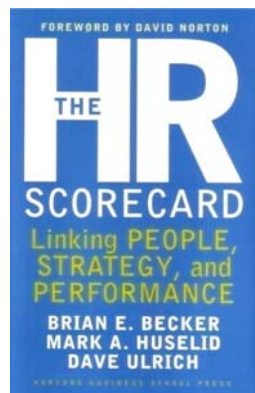


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A Focus on the Design, Implementation, and Measurement of HR and Workforce Strategies



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Challenged Industries: Strategic Shifts

Competitive Issues	Challenged Firms
• Internet	Postal systems/US Postal System
• Cloud computing	Routers, servers/Cisco, Dell, HP
• IPADs, "Dumb" terminals	Personal computers/HP, Dell, Lenovo
• Ecommerce	Travel, retail/Wal-Mart, Tesco, Carrefour, Amex
• Electronic readers	Bookstores, publishers/Barnes & Noble, Books-a-Million
• Working at home	Office furniture/Steelcase, Herman Miller
• Digitalization	Photographic film/Polaroid, Kodak, Fuji
• New material sciences	Steel, Metal Fabrication/US Steel, Alcoa
• Mobile phones	Credit cards, traditional telecoms/Nokia, Ericsson, Motorola
• Movie rentals	West Coast, Blockbuster, Netflix, P2P
• Newsprint	Newspapers/Gannett, New York Times
• Funerals	Caskets / Batesville, Astral, Mathews, Chinese, Wal-Mart, Costco

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Global Business Challenges: Now and the Future — The Context — Marketplace Volatility → Workforce Agility

Volatility Challenges

- Commodity price fluctuation
- Fast changing regulations
- Changing customer sentiment
 - Going green
 - Anti-conspicuous consumption
- Terrorism
- Pandemics
- Others?

Strategic Responses

Workforce Agility

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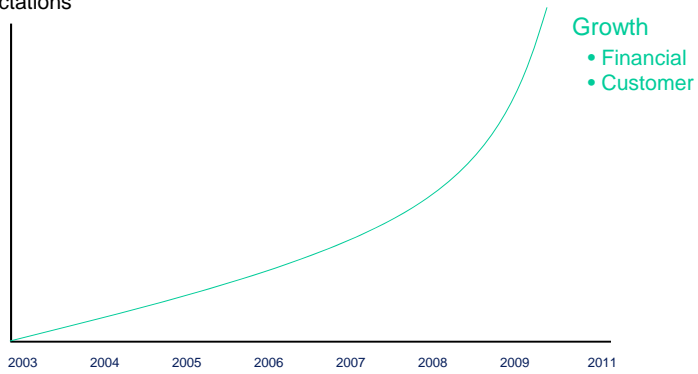
Volatility Challenges	Strategic Responses	Workforce Agility
<ul style="list-style-type: none"> <input type="checkbox"/> Commodity price fluctuation <input type="checkbox"/> Fast changing regulations <input type="checkbox"/> Changing customer sentiment <ul style="list-style-type: none"> • Going green • Anti-conspicuous consumption <input type="checkbox"/> Terrorism <input type="checkbox"/> Pandemics <input type="checkbox"/> Others? 	<ul style="list-style-type: none"> <input type="checkbox"/> Affordability <input type="checkbox"/> Risk management <input type="checkbox"/> Brand equity <input type="checkbox"/> Speed <input type="checkbox"/> Others? 	
<div style="border: 1px solid black; padding: 5px; background-color: #e6e6fa;"> <p>Successful responses require strategic clarity, consistency and focusing on capital intensity and fixed costs</p> </div>		

Global Business Challenges: Now and the Future — The Context — Marketplace Volatility —————> Workforce Agility

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<div style="border: 1px solid black; padding: 5px; background-color: #e6e6fa;"> <p>Successful responses require strategic clarity, consistency and focusing on capital intensity and fixed costs</p> </div>		<div style="border: 1px solid black; padding: 5px; background-color: #e6e6fa;"> <p>The "Velcro" Organization</p> </div>

Evolutionary vs. Revolutionary Change

Growth/Change
Expectations

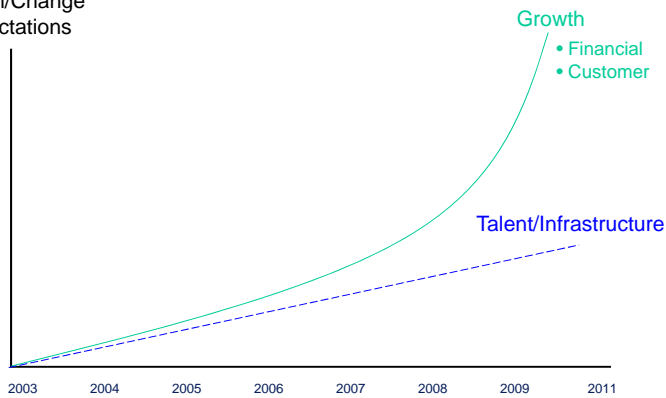


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Evolutionary vs. Revolutionary Change

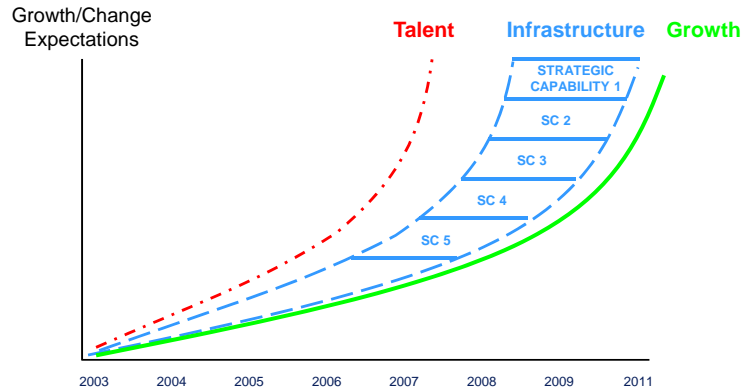
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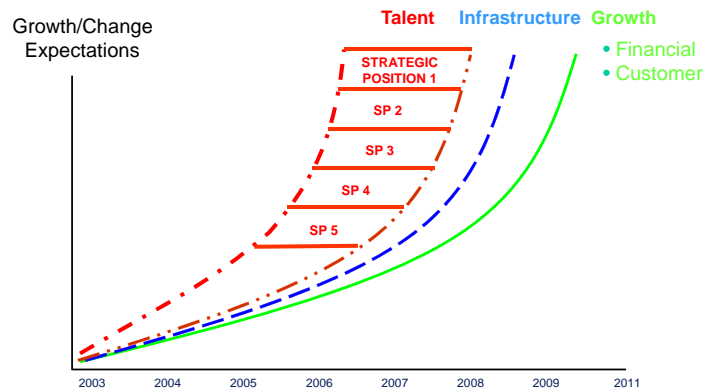
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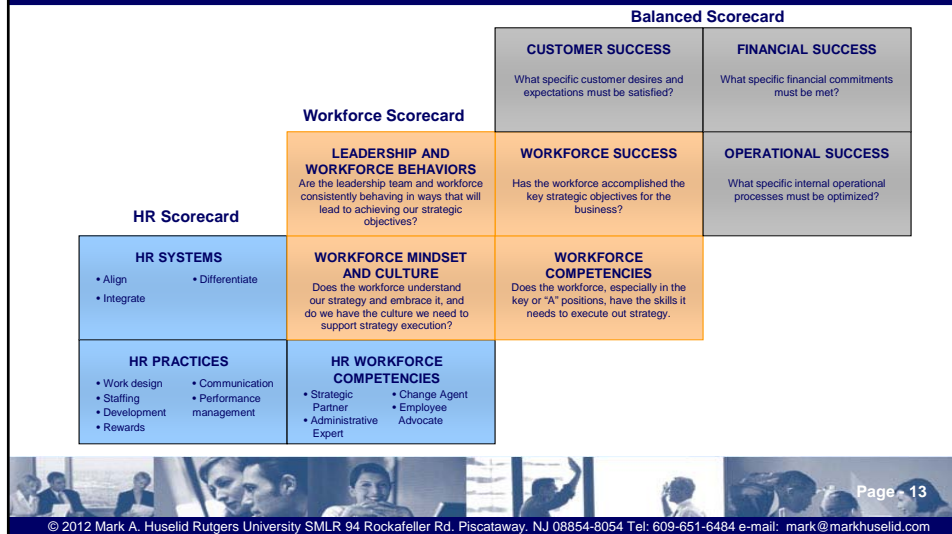
Evolutionary vs. Revolutionary Change



Evolutionary vs. Revolutionary Change



Managing Human Capital To Execute Strategy



Four Key Drivers of Strategic Success

I. Business Strategy

II. Strategic Capabilities

III. Strategic Positions

IV. Strategic Talent

Strategic Workforce Planning Process — An Overview — Questions Which Need to be Answered!

I. Business Strategy

- How Grow?
- Where play?
- How win?

II. Strategic Capabilities

- At what must we be great?
- How good we need to be?
- How good are we?
- What creates customer value?
- What creates economic value?
- Does each strategic capability pass VPC?

III. Strategic Positions

- How do we create value?
- Where do we create value?
- What roles have a major impact on value creation?
- What roles pass VPC?

IV. Strategic Talent

- What strategic talent do we have?
- What strategic talent do we need?
- What does our strategic talent inventory tell us?
- What actions will close our gaps?
- Where do we go from here?

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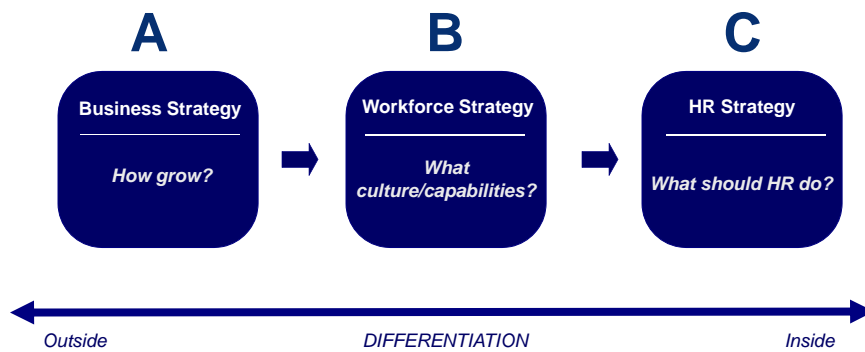
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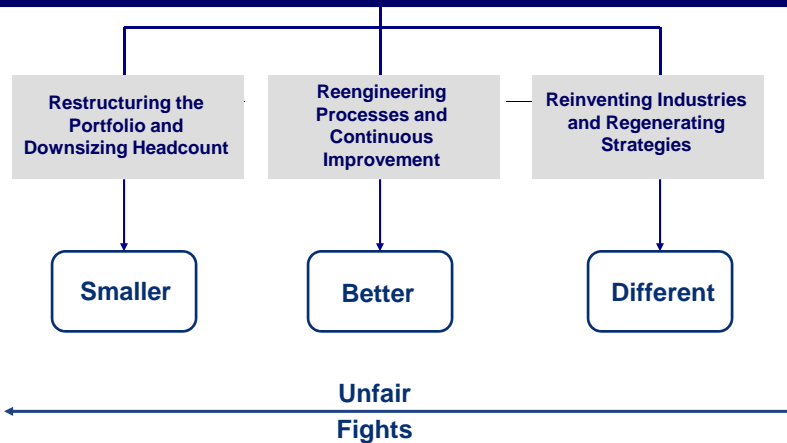
I. Business Strategy:

- How Do We Grow?
- Where Do We Play?
- How Do We Win?

Three Strategies Needed For Business Success



The Quest for Competitive Advantage



Our Vision

“We will be a leader of our industry in the future, committed to delivering excellent quality and service to our customers, increasing returns to our stakeholders, showing responsibility to the environment, and building a highly motivated and empowered workforce...”

Mission Statement

Creating an enterprise strategy and knowledge development resource to support decision-making of functional and operational organizations attempting to achieve enterprise objectives.

General Motors, 2002



“IT’S YOUR JOB not to screw this up or make any mistakes or drop the ball or blow the game. Get it there faster and quicker and more reliably and more efficiently. Do it right, first-rate, top-notch, without a hitch and absolutely flawlessly. Botch this one and you are out of here, history, finished, terminated, toast, lunch, gonzo, dead, kaput. And one more thing. Do it for LESS MONEY than you’ve done it before!”

FedEx
Federal Express





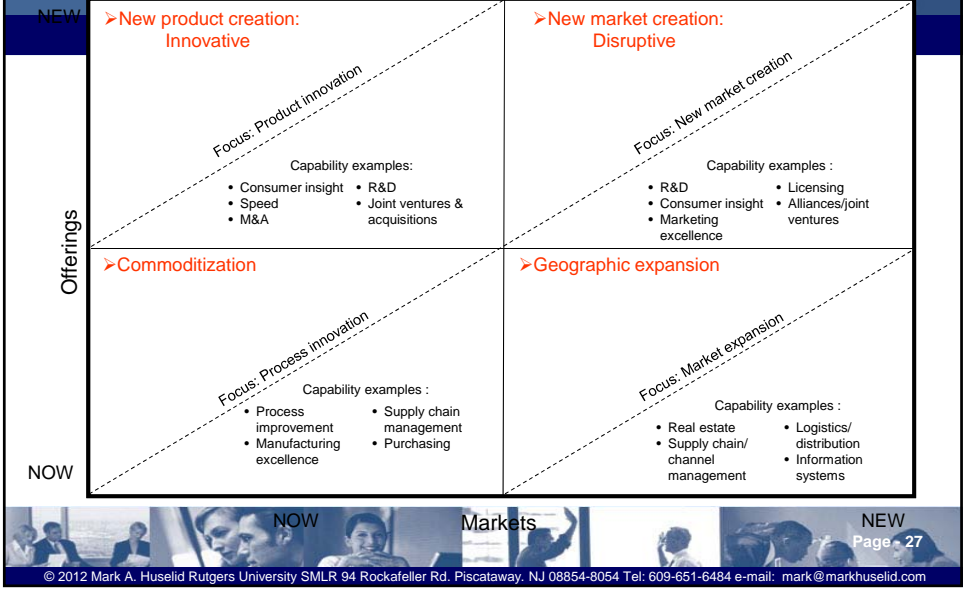
II. Strategic Capabilities:

- What Must We Be Great At?
- How Good Do We Need to Be, Everywhere Else?
- How Good Are We?

Examples of Primary Strategic Capabilities in Selected Firms

1. **Wal-Mart:** supply chain
2. **BMW:** vehicle design
3. **McDonalds:** real estate
4. **Honda:** small engines
5. **Zara:** “cheap chic” fashion design
6. **J&J:** brand management
7. **Apple:** new product development
8. **Four Seasons:** unparalleled service
9. **GE:** mergers and acquisitions, leadership

Where Do We Go From Here?: The Growth Strategy Matrix



III. Strategic Positions:

- How Do We Create Value?
- When Do We Create Value?
- What Roles Have A Major Impact on Value Creation?

What is a Strategic Position?

1. Within a firm's strategic capability.
2. **Directly impacts the firm's strategic success and creates wealth for a firm**
3. Significantly more "top talent" could impact the firm's business model.
4. Usually in short supply in the external labor market
5. Requires professional expertise and extensive knowledge of the firm to be successful
6. Usually less than 15% of an firm's positions
7. Not determined by hierarchy
8. Variability in performance across incumbents



Did We Say "Talent Matters"?

"The top software developers are more productive than average software developers not by a factor of 10X or 100X, or even 1,000X,

but

10,000X."

—Nathan Myhrvold, former Chief Scientist, Microsoft



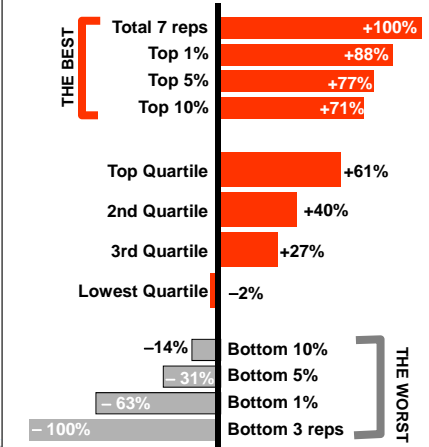
Performance Variability Is Critical for a Position to Be Strategic

Maximizing Employee Performance

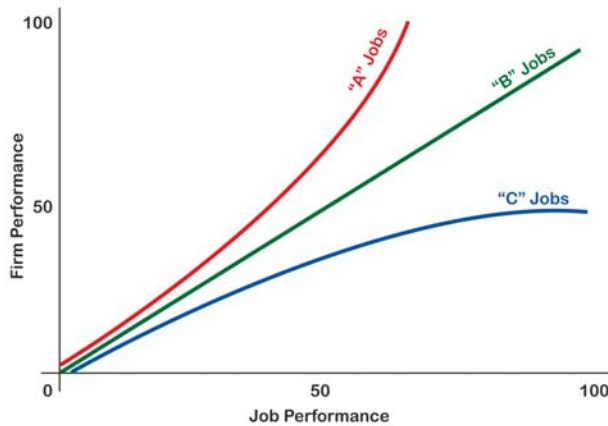
This company, highly regarded for its customer service, surveyed about 45,000 customers to gauge the impact of its 4,583 service reps. It discovered that the top 10% had a positive effect on customer attitudes with 71% of the customers they talked to; the top 7 reps created a positive effect with every customer. In sharp contrast, the bottom 10% had a net negative impact of 14% on customer attitude scores, while the bottom 3 employees alienated every customer they spoke with.

Source: Gallup, Inc.

Impact on Customer Attitude Scores



There are Substantial Differences in Economic Returns Across Jobs



Company Wealth Creating People: *Retailing*

NORDSTROM

STRATEGIC CHOICE CUSTOMER INTIMACY

<p>Customer Perception of Firm Attributes</p> <ul style="list-style-type: none"> • Best solution • Fashion forward • Professional expertise • Personalized service 	<p>Strategic Capabilities</p>	<p>1. Consumer-facing Sales</p>	<p>2. Buying</p>	<p>3. Supply Chain</p>	<p>4. Marketing</p>	<p>5. Leadership</p>
	<p>Strategic Positions</p> <ul style="list-style-type: none"> • Customer Impact • Wealth Impact • Performance Variability 	<p>1.A. Sales Counselors 1.B. Category Supervisors</p>	<p>2.A. Fashion Buyers 2.B. Purchasing Contractors</p>	<p>3.A. Systems Designers 3.B. Logistics Engineers</p>	<p>4.A. VP-Marketing 4.B. Consumer Insight Specialists 4.C. Brand Managers</p>	<p>5.A. CEO 5.B. Store Managers</p>

COSTCO

STRATEGIC CHOICE OPERATIONAL EXCELLENCE

<p>Customer Perception of Firm Attributes</p> <ul style="list-style-type: none"> • Best value • Convenient • Variety • Speed 	<p>Strategic Capabilities</p>	<p>1. Real Estate</p>	<p>2. Purchasing</p>	<p>3. Logistics, Distribution & Info. Systems</p>	<p>4. Merchandising</p>	<p>5. Membership Maintenance</p>
	<p>Strategic Positions</p> <ul style="list-style-type: none"> • Customer Impact • Wealth Impact • Performance Variability 	<p>1.A. Site Locating Analysts</p>	<p>2.A. Category Purchasing Specialists</p>	<p>3.A. Logistics Analysts 3.B. Distribution Contract Negotiators</p>	<p>4.A. Layout Specialists 4.B. Store Managers 4.C. Promotions Specialists</p>	<p>5.A. Membership Marketing Specialists 5.B. Membership Systems Manager</p>

IV. Strategic Talent:

- What Strategic Talent Do We Have?
- What Strategic Talent Do We Need?
- What Actions Will Close the Gap?
- Where Do We Go From Here?

Strategic Workforce Planning:

What is our inventory of top talent in strategic positions?

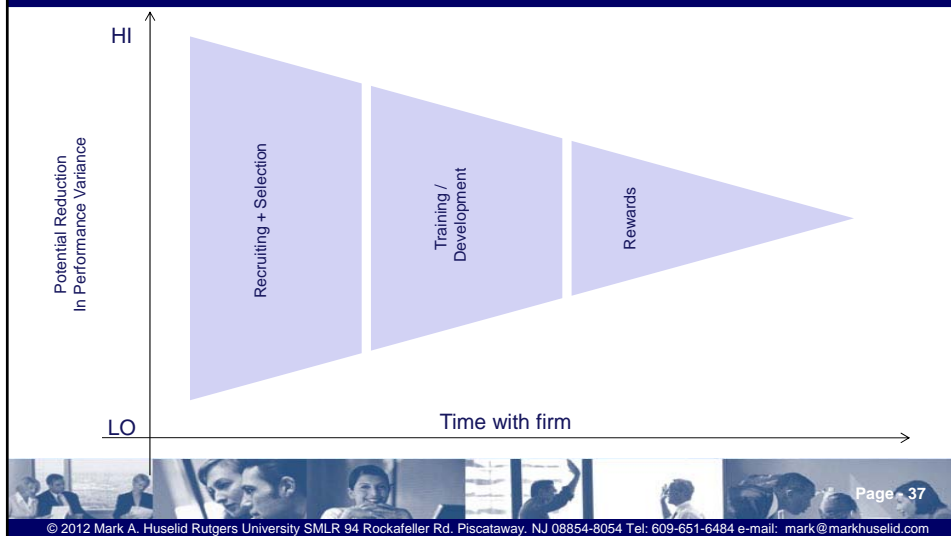
XYZ Corp. Workforce Plan Business Leader Recap Strategic Position Scorecard

Line of Business: Retail Appliance Division
 Business Strategy: Low cost producer and major provider to "Big Box" retailers for highly price sensitive retail customers

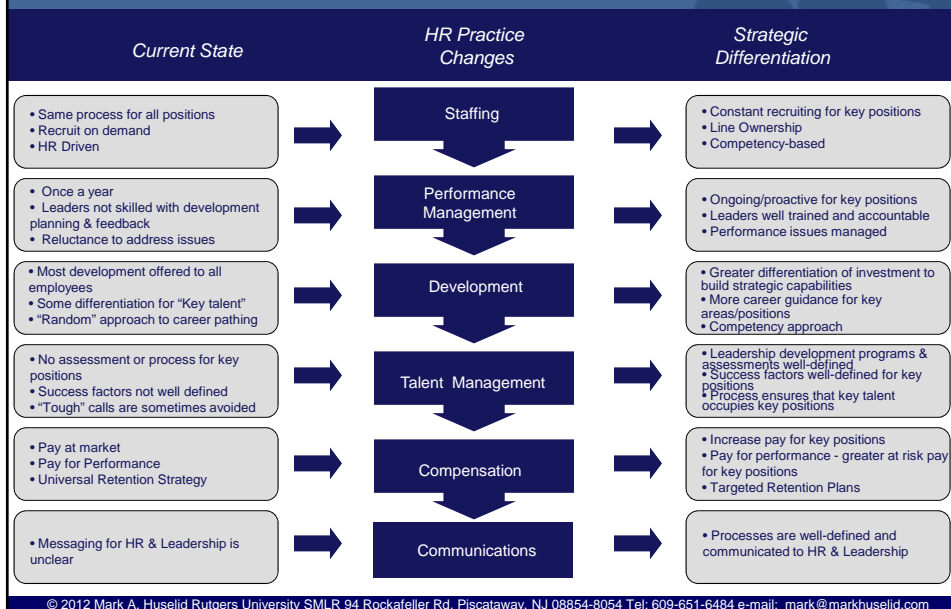
STRATEGIC CAPABILITIES:	STATUS				
	Abysmal (1)	Less Competitive (2)	Competitive (3)	Very Competitive (4)	World Class (5)
• Executive Leadership			3		
• Manufacturing Excellence				4	
• Sales/Marketing				4	
• R&D/New Product Development		2			

STRATEGIC POSITIONS:	Number	Top Talent	Emerging Talent	Career Level	Move	Action Plans
• Executive Leadership						
VP Marketing	1		1			Develop more talent from sales and marketing
VP Mfg.	1			1		Consider early replacement of VP Mfg.
CFO	1	1				
• Manufacturing						
Plant Managers	16	4	3	7	2	Exit moves and "careerists." Hire developing talent. Hire and move "top talent" into the 38 career level/move positions
Area Supervisors	48	7	3	33	5	
• Sales/Marketing						
Marketing Directors	6	2	1	1	2	Exit moves and initiate campus recruiting and career development plans to strengthen marketing talent at all levels
Brand Managers	5	1	1	3	0	
Consumer Insight Specialists	7	2	4	0	1	
Merchandising Managers	6	1	0	5	0	
• R&D/New Product Development						
Design Engineers	11	3	0	8	0	Initiate external hiring program for "top talent" at all levels. Begin to exit careerists - we have 14 of 20 in this category.
Cooling Specialists	4	1	1	2	0	
Laundry Specialists	5	1	0	4	0	
	111			64		

Relative Impact of Different HR Practices



Workforce Strategy: Process Flow for HR Practices



Key Steps in Creating a *Differentiated Workforce*

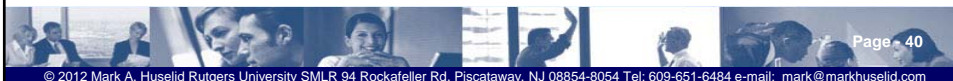
- Identify strategic capabilities
- Identify strategic positions
- Develop a workforce philosophy
- Perform a talent assessment to identify top talent within strategic positions
- Determine the talent actions necessary to close gaps
- Determine the line manager's HR responsibilities – and the HR manager's business responsibilities



A Review...

And a reminder of what
HR is really about

Building Great, Sustainable Organizations!



HUMAN RESOURCES IS A COMPANY'S MOST IMPORTANT STRATEGIC ASSET.

THAT MEANS IT'S YOUR FAULT WE'RE LOSING MARKET SHARE. MAYBE YOU SHOULD FIRE YOURSELF.

STRATEGIC ASSETS DON'T LIKE ACCOUNTABILITY.

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