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Chaired by

Ruxandra Stoian
PwC

May 17, 2012

*Engaging leaders – how to translate employee
engagement into outstanding business performance*

Edward Stanoch

*Eastern European Director, Aon
Hewitt*

Gyuzel Garaeva

HR Director, OBI Russia

Engaging leaders – how to translate employee engagement into outstanding business performance

Moscow 17th May 2012

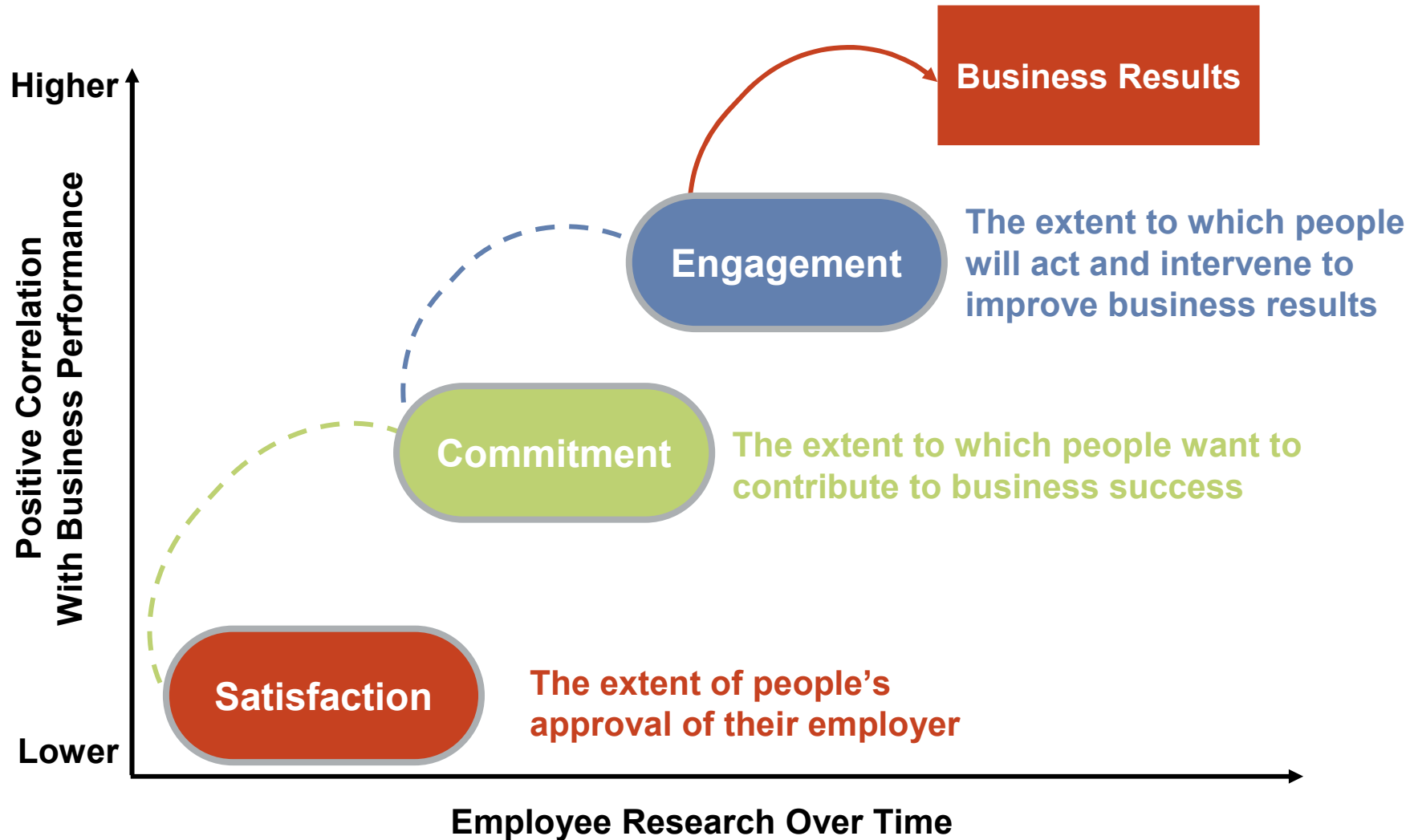
Prepared by Edward Stanoch, Eastern Europe Managing Director Aon Hewitt

Consulting / Poland

Presentation to AEB Business HR Conference HR Flexibility In The Changing Environment

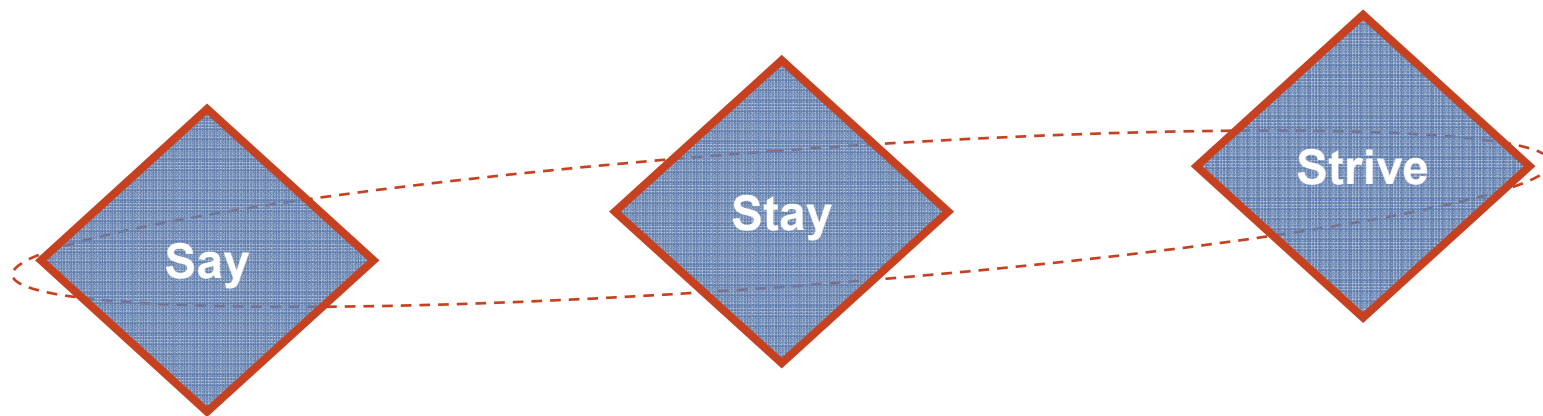


Engagement is...about Results



The Engagement Model

- Three key behaviours indicate strong Engagement—SAY, STAY STRIVE
- The Engagement score is determined by individuals' responses to six questions:



Behavior:

Engaged employees consistently speak positively about the organization to co-workers, potential employees and customers

Behavior:

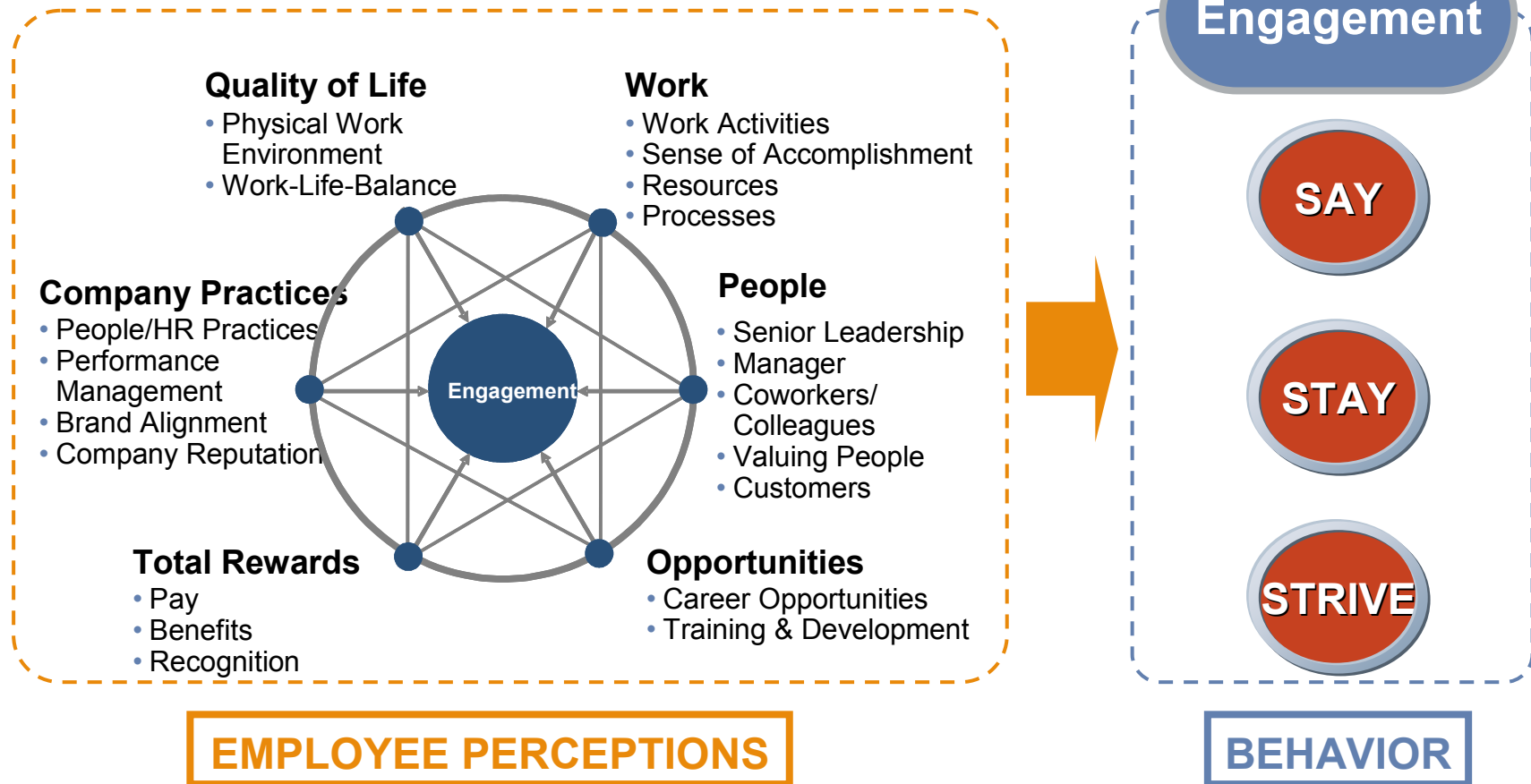
Engaged employees have an intense desire to be a member of the organization

Behavior:

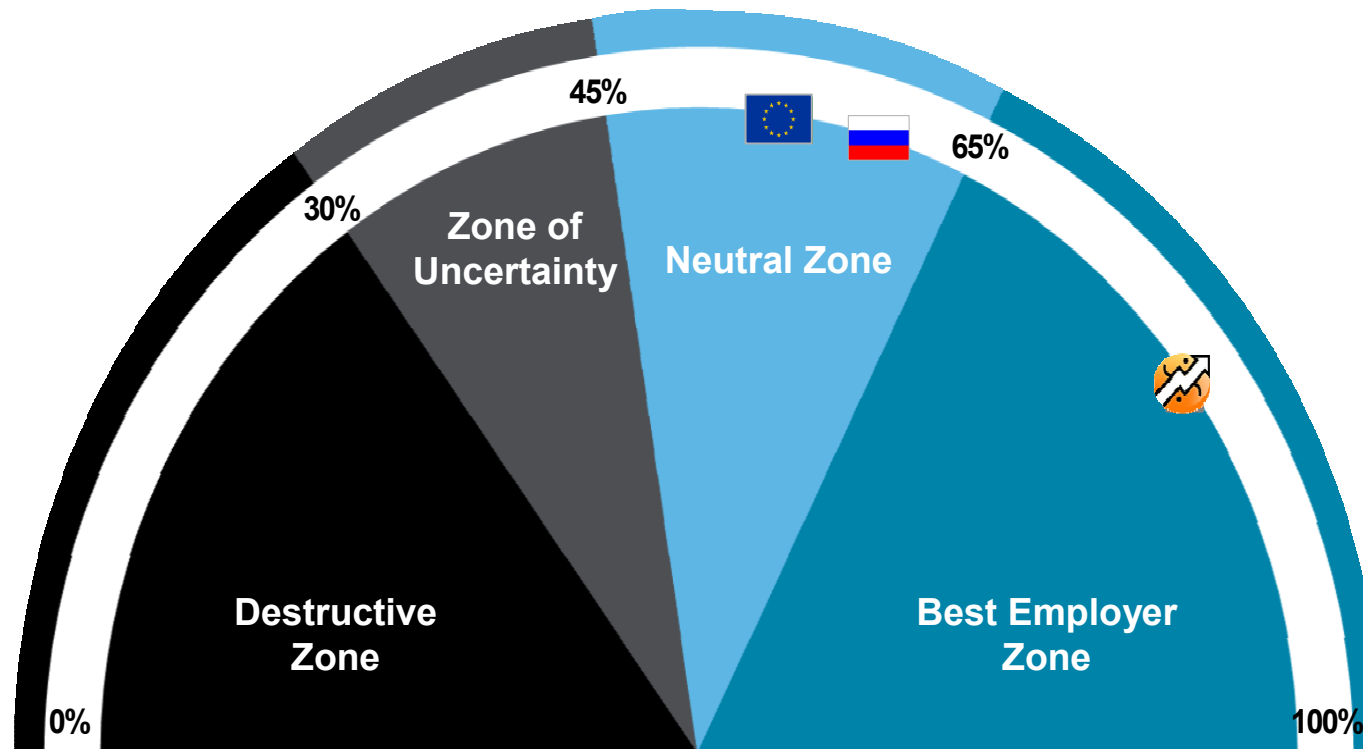
Engaged employees exert extra effort and engage in behaviors that contribute to business success


Six Categories Drive Employee Engagement — Experiences that Influence Engagement Behaviors

Hewitt's Employee Engagement Framework



The average engagement score in Russian companies is 60%



 Russia 2011 (60%)
vs 56% in 2010

 Best Employers 2011 (81%)

 European Union 2011 (55%)

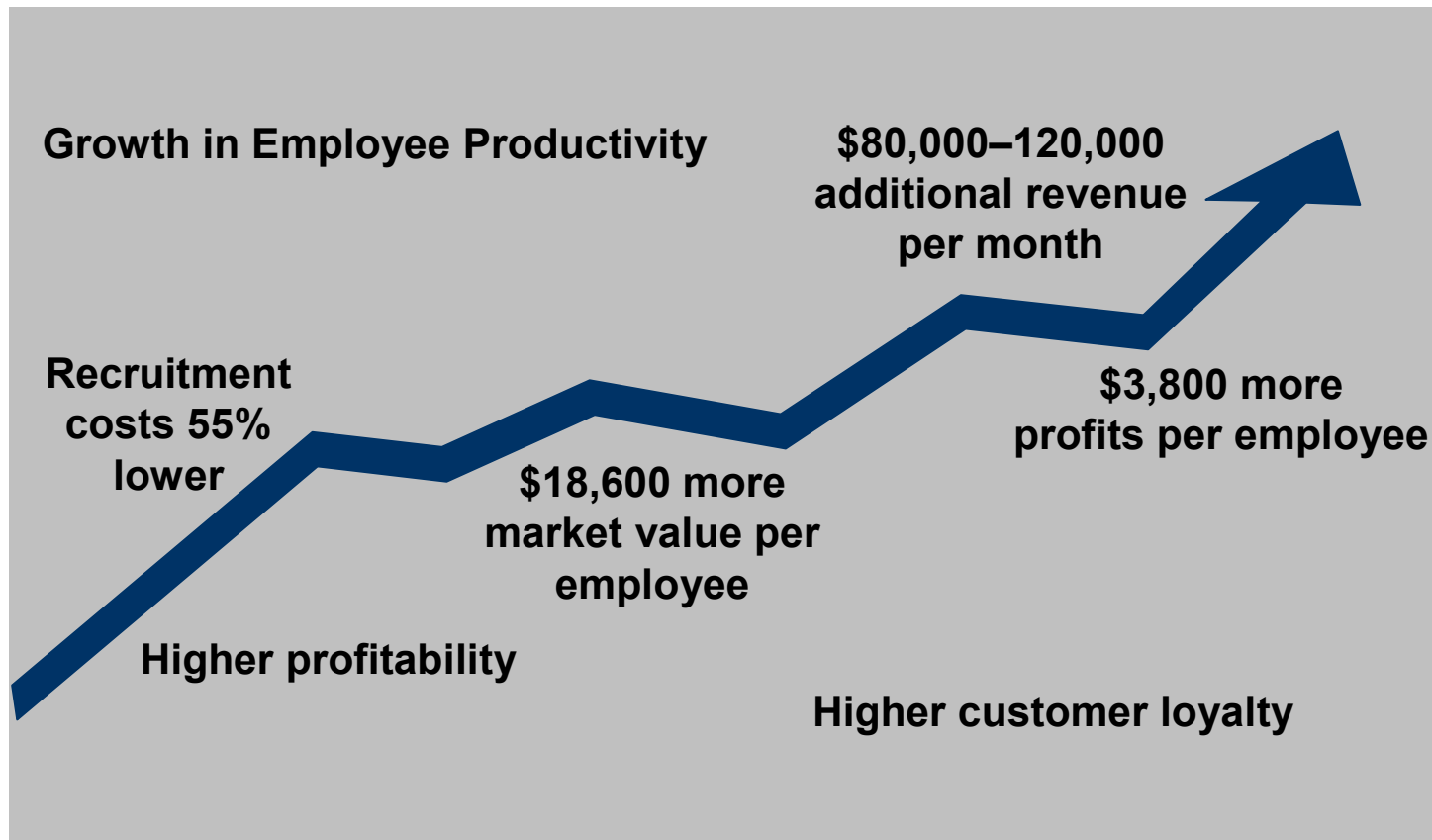
Source: Aon Hewitt data 2011

Engagement of employee, managers and top executives in Russia – comparison with Best Employers' results



The “*Engaged*” employee adds more value

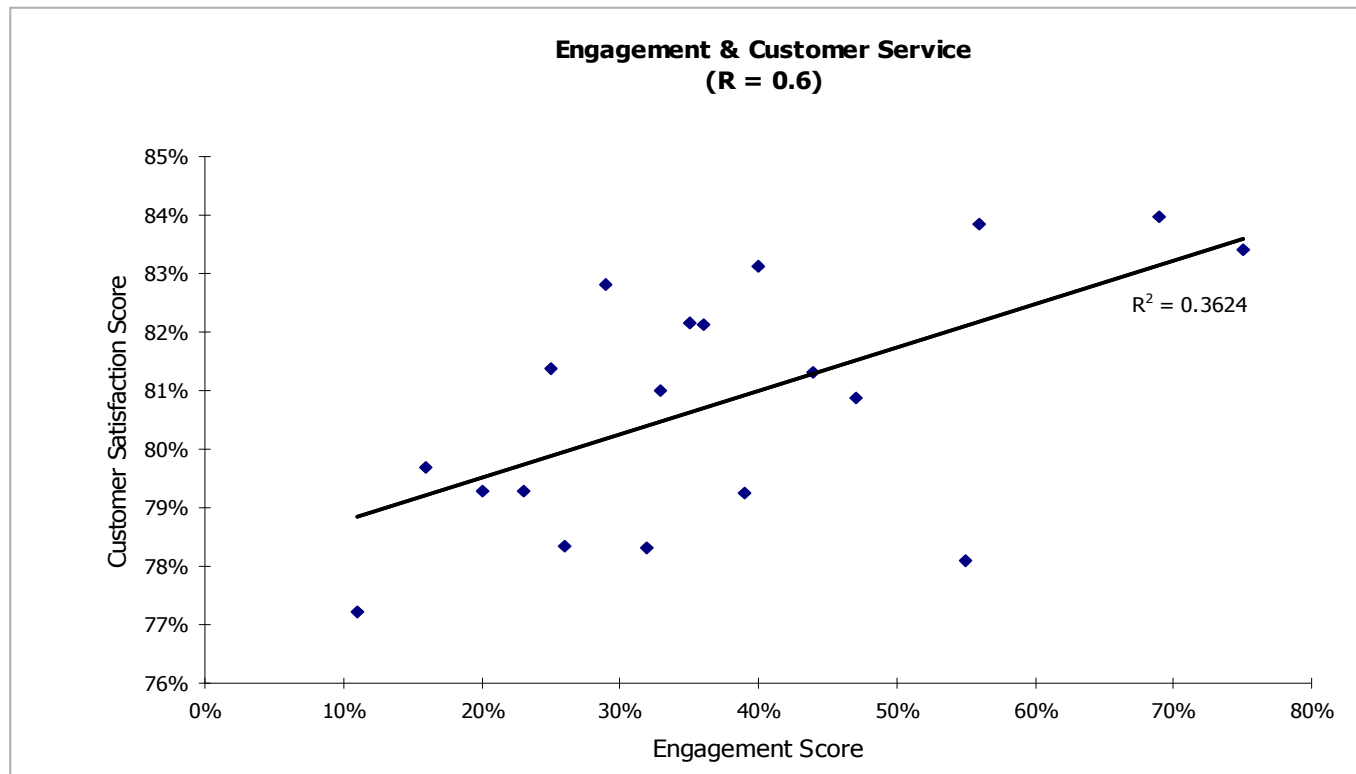
Companies With Engaged Employees Report...



Source: Impact of Engaged Employees on Business Outcomes; Ongoing Employee Engagement Research, Hewitt Associates, 2006

Employee Engagement impacts Customers

Case Study—Link Between Customer and Employee Engagement



Data represents Sales Branches in Financial Services Industry

- Customers purchased additional products
- Increase of Customer Satisfaction by 3pp = 500,000 satisfied customers/year

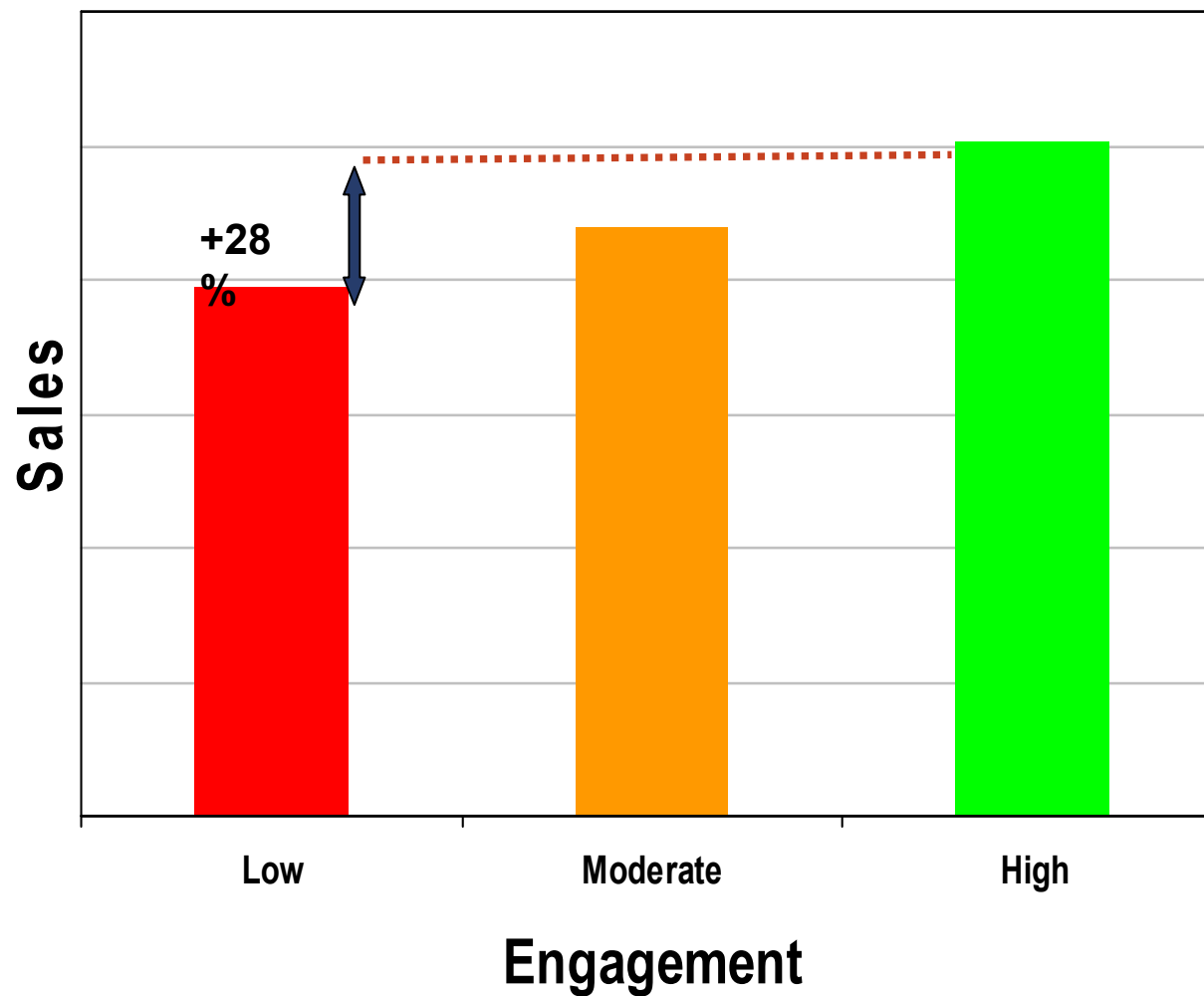
Our research shows that each disengaged
employee can costs an organization an average of

\$10,000 in operating profit
annually

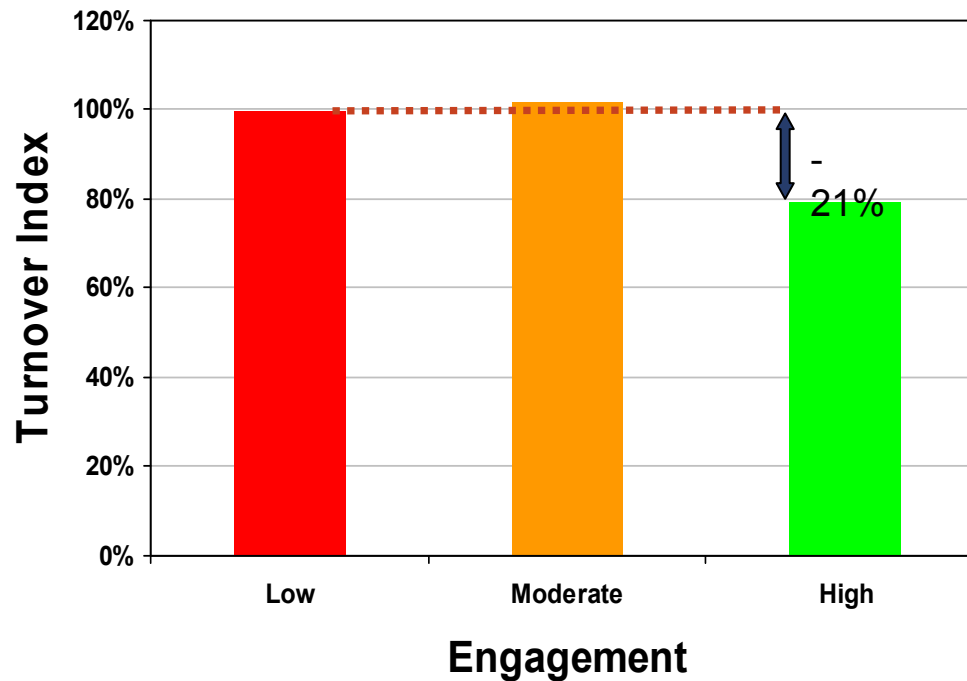
Case Study

- ▣ We did the research correlating engagement data with business performance indicators in large multinational restaurants chain.
- ▣ In purpose to analyze relations between engagement and financial measures, engagement distribution was divided into 3 groups:
 - > **low engagement level** – up to 50%,
 - > **moderate engagement level** – from 51% to 75%,
 - > **high engagement level** – above 75%.
- ▣ The average engagement score at this company was 51%.
- ▣ The best restaurant achieved 100% engagement score while the worst restaurant was 9%.

Highly engaged restaurants generated higher revenues

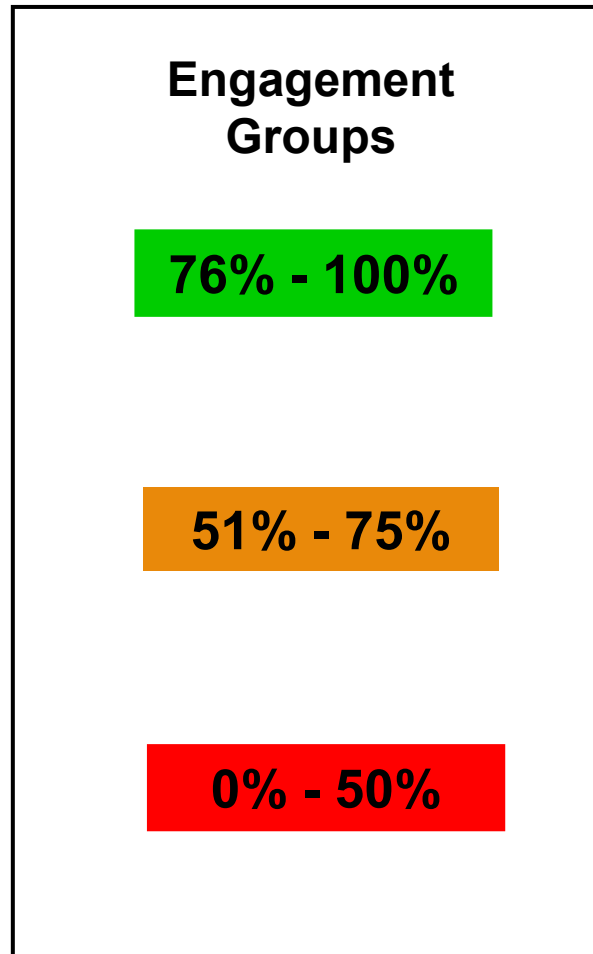


Highly engaged restaurants had significantly lower employee turnover

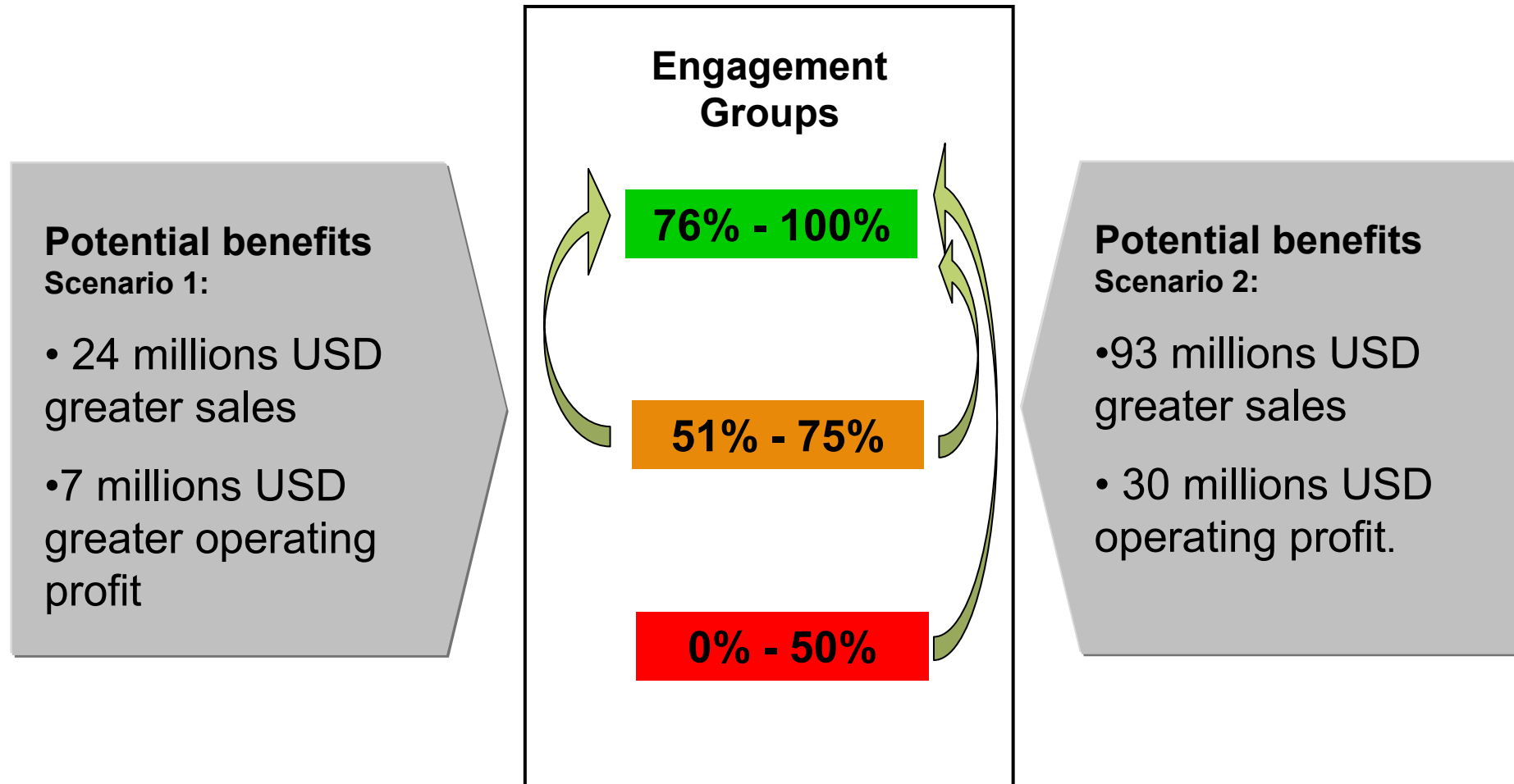


$$\text{* Turnover Index} = \left(\frac{\text{sum of redundant employees during the last 12 months}}{\text{average number of working employees for the last 12 months}} \right) \times 100\%$$

How we can estimate the cost of low engagement?



Case Study: Summary



Right execution is the key to successful implementation

70% of companies collect employee engagement data

Only **20%** transform it into visible actions

and...

Only engaged leaders can do it!

* Source Aon Hewitt Engagement Database

OBI Russia - Case Study

By Gyuzel Garaeva, HR Director





HR Flexibility in the changing environment

Engaging leaders – how to translate employee engagement into outstanding business performance

17 May 2012

Presented by Gyuzel Garaeve, HR Director

Some facts and results in 2011

- Sales turnover 6,7 bln. Euro
- # 1 in Germany, Czech Republic, Hungary, and Russia
- 13 countries – 580 stores
- 43,100 employees



OBI in Russia



- Start in Russia: 2003
- No of stores: 19
- Average size: 11.800 m²
- Located in : 8 cities
- No of employees: 3800



Reasons to conduct Engagement Survey

Challenging tasks to open new stores and keep leadership on market in Russia

Strategic task to become Employer of choice in retail / DIY industry

Hot labour market esp in Moscow

Be efficient as Company

Strategic task: OBI - best place to work at

**Establishing
Winning
mentality**

**Learning is
in the air**

**Succession
planning.
Career
opportunities**



**Encouraging
corporate
culture**

**Caring
environment**

**Competitive
remuneration**

How to become Best Employer

Tool to measure – Engagement Survey done by AON Hewitt

Year	Engagement result	Respond rate	No of empl surveyed
• 2009	- 58%	85 %	1764
• 2010	- 66% (+8%)	97%	2560
• 2011	- 67% (+1%)	98 %	2990

-
- 2011 Retail Russia - **63%**
 - Average Russia 2011 - **60%**
 - Best Employer 2011 - **81%**



How to make Engagement Survey effective

4 main keys to success:



Support from top management, esp Managing Director

Make managers understand survey and ways to improve engagement (Engagement Sessions)

Take actions after survey (SMART action plans)

Inform employees about changes (Recap sessions + regular communication)

Understanding Engagement Results

Engagement sessions were organized for management in stores and Central Office departments.

Total no in 2011: 25

Engagement session has 3 targets


1. Understand results
2. Understand how a manager can influence engagement
3. Develop SMART action plan (not more than 5 activities)

Participants: managers + dedicated managers from HR

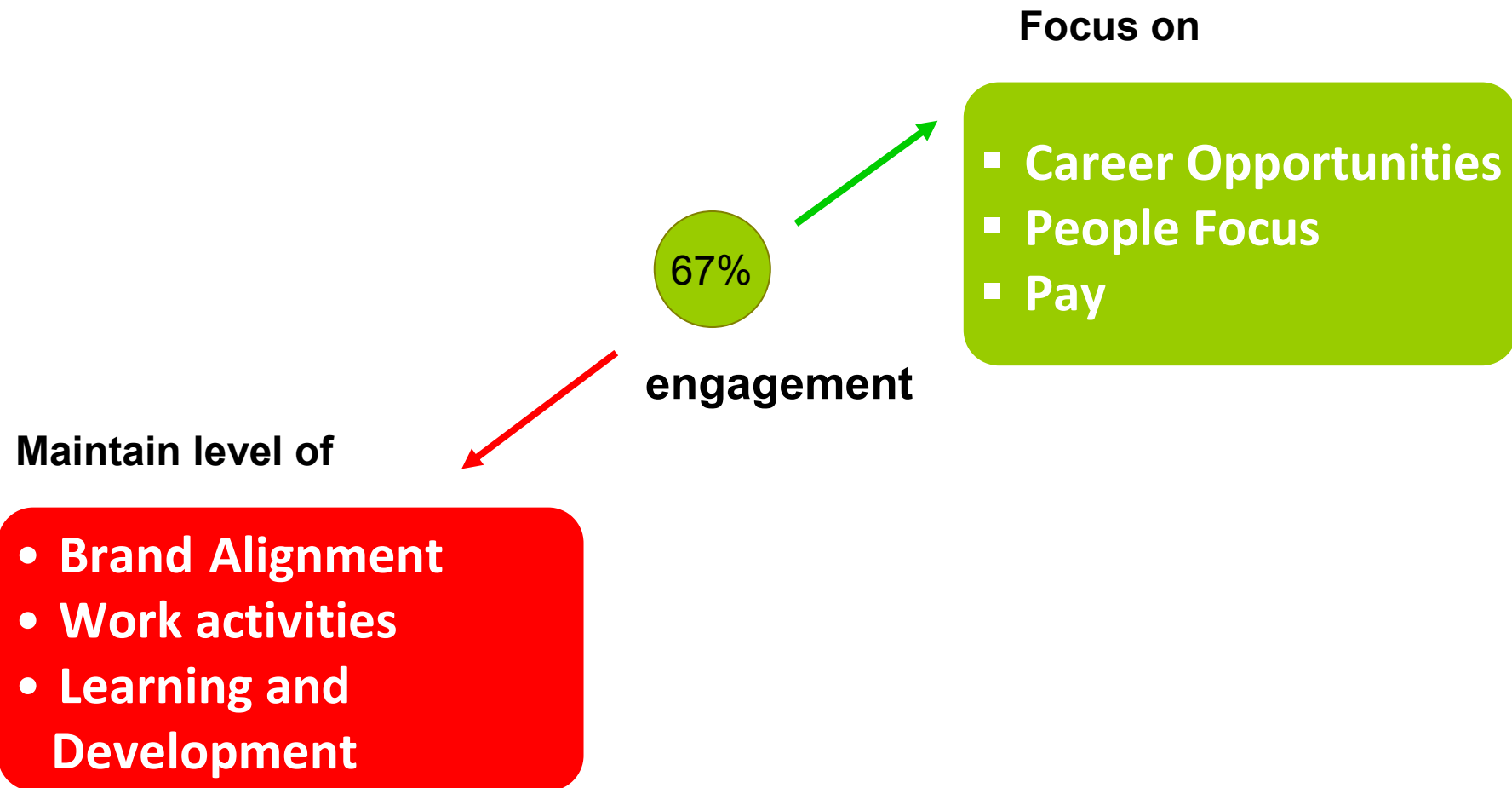
Duration: 6 hours



Engagement Increase Plan 2012

- | | | |
|---|---|---|
| 1 | Engagement Session & Action Plan Development |  |
| 2 | Feedback Presentation to Management Team | till May, 20 |
| 3 | Monitoring of Action Plan implementation
– 3 meetings per year in each region and
2 meeting per year in most of the FC
Depts | May - October |
| 4 | Recap presentations to the employees in
FC Departments and Stores | Last week of October |
| 5 | New engagement circle | 2012, November |

Impact Analysis – How we can motivate OBI Russia employees



Key findings from Engagement Survey 2011 –

Line managers have the highest influence on employees perception

If you want to be Best Employer – combine

- Centralized projects
- Each manager project - “Say thank you every day”
- Make your middle managers your ambassadors




***Change management: efficient employee
communication***

Ekaterina Ukhova

Partner, Ernst & Young and

Irina Perelygina

***L&O manager, Abbott Laboratories
LLC***



Change management: efficient employee communication

Ekaterina Ukhova

Partner, Human Capital, Ernst & Young

May 17, 2012

Agenda points

Section

- 1 Mergers and Acquisitions in Russia in 2011
- 2 Change Management: Role of HR
- 3 Professional Change Management is Key for Success
- 4 Approach to managing change and cultural alignment of two organizations

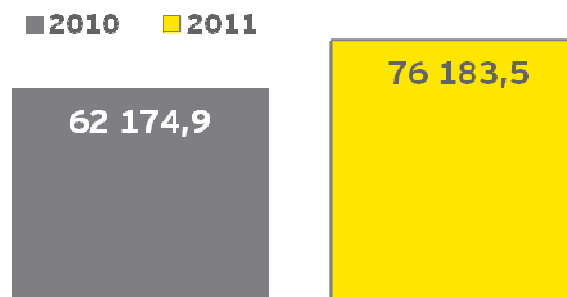
Mergers and Acquisitions in Russia in 2011

The growth of the Russian mergers and acquisitions market in 2011 is 22.5% in comparison to the previous year

The most active industries in merger and acquisition transactions

- ▶ Oil & Gas
- ▶ Metallurgy
- ▶ Energy

Total amount of transactions in mergers and acquisitions market in Russia (\$ mln.)*



A considerable growth of the number of projects on business optimization in the post-crisis period

Forecast for 2012

- ▶ High activity of transactions in the service industry will retain
- ▶ Maintaining of the business optimization trend

* - according to the data of AK&M Information Agency



Change Management: Role of HR

Around 75% of all change project failures are due to neglecting the people side of business transformation

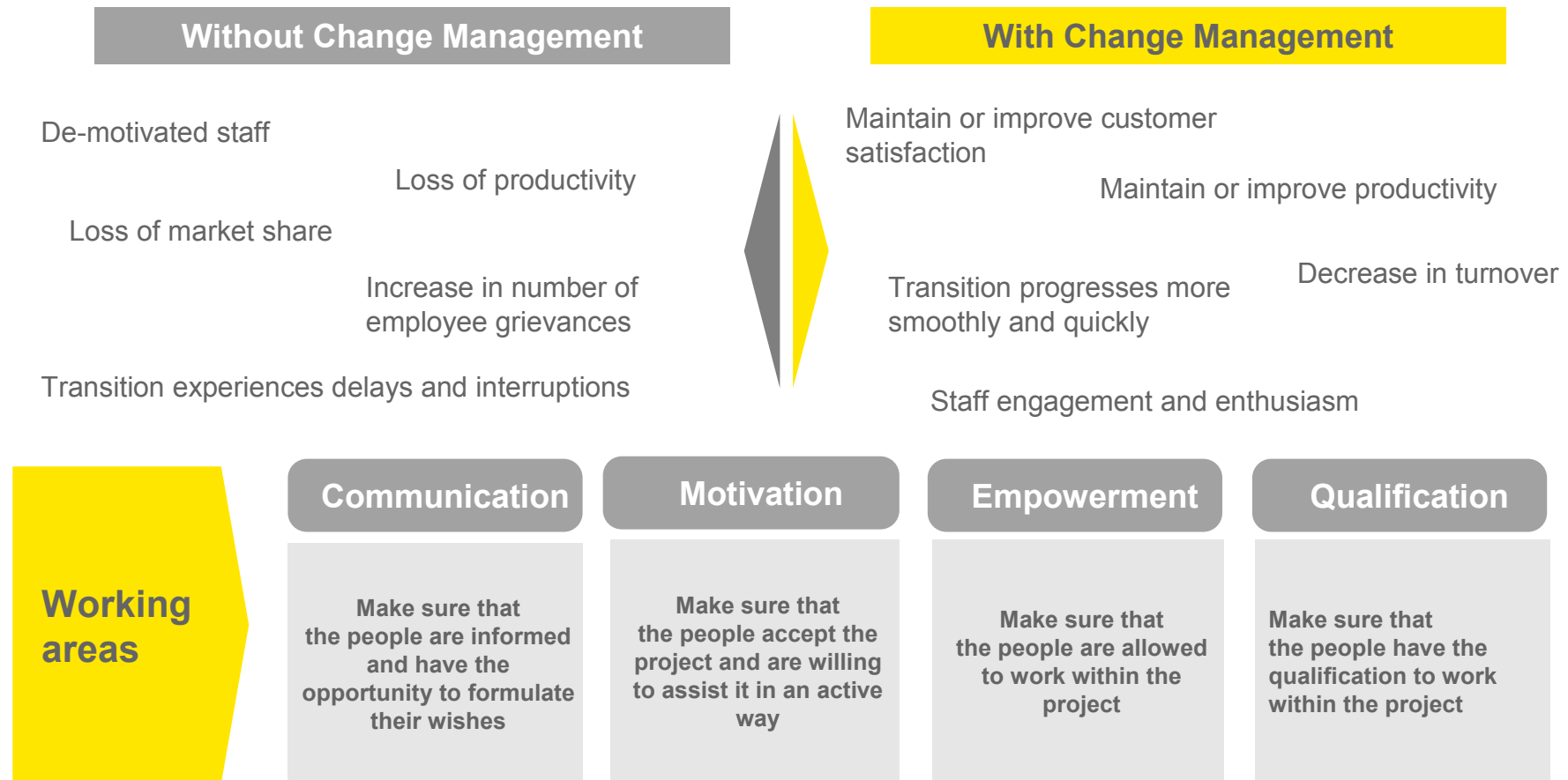
Types of Projects' Failures

- 1 Program objectives and organisational priorities are not aligned
- 2 People's transition needs are not adequately planned for
- 3 There is inadequate stakeholder identification and buy-in
- 4 Workstreams are not aptly planned, integrated and monitored
- 5 There are long delays in agreeing scope and requirements
- 6 Insufficient authority is applied where decisions are required
- 7 Team lack the capability or capacity to deliver requirements
- 8 Lack of commitment on employee level
- 9 Organisational needs are not understood or managed
- 10 Risks are not adequately identified or actively managed

Top Success Factors

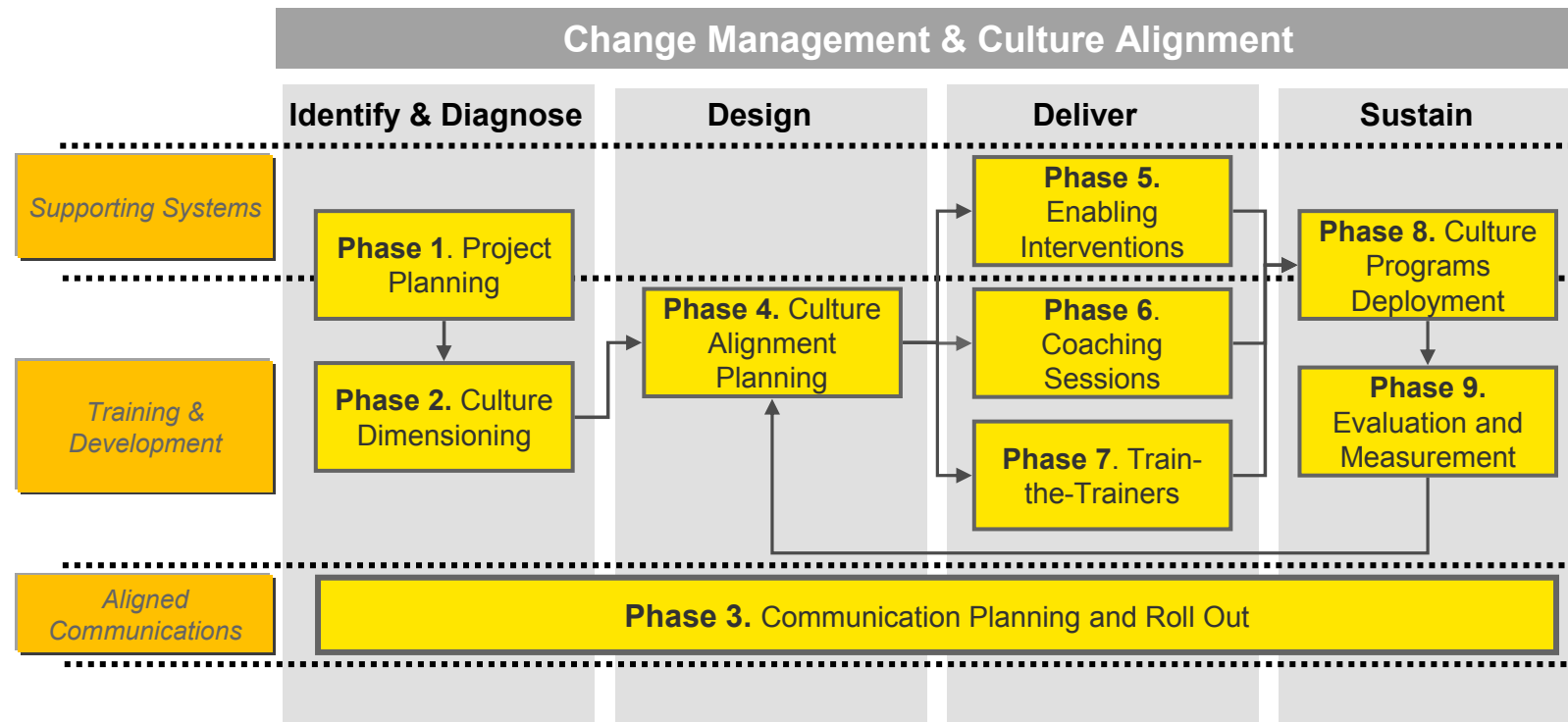
Sponsoring by senior management	82%
Involvement of employees	75%
Enclosing, honest communication, fair contact to employees	70%
Good training programs	68%
Implementation of KPI's	65%
Build-up of team structures	62%
Focus on change in culture and skills	62%
Award, depending on success	60%

Professional Change Management is Key for Success



Change Management focuses on the effects the changes have on managers and employees. This concerns, in particular, new demands on the way of thinking or behaving, but also deals with any new competencies and skills required

Approach to managing change and cultural alignment of two organizations



Please address your questions on HR management
to our Human Capital team:



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E-mail Ekaterina.Ukhova@ru.ey.com



Integration Project: Change Management support

Irina Perelygina

L&OD Consultant

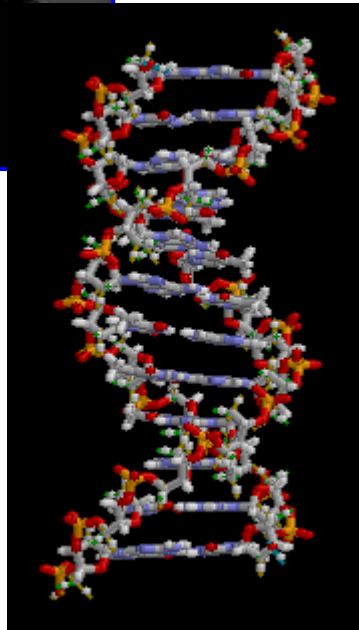


Moscow
May 17th, 2012

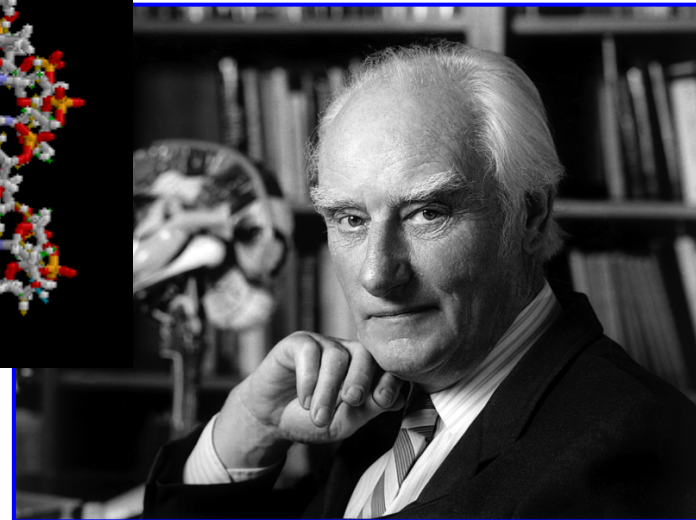


James Watson

1953



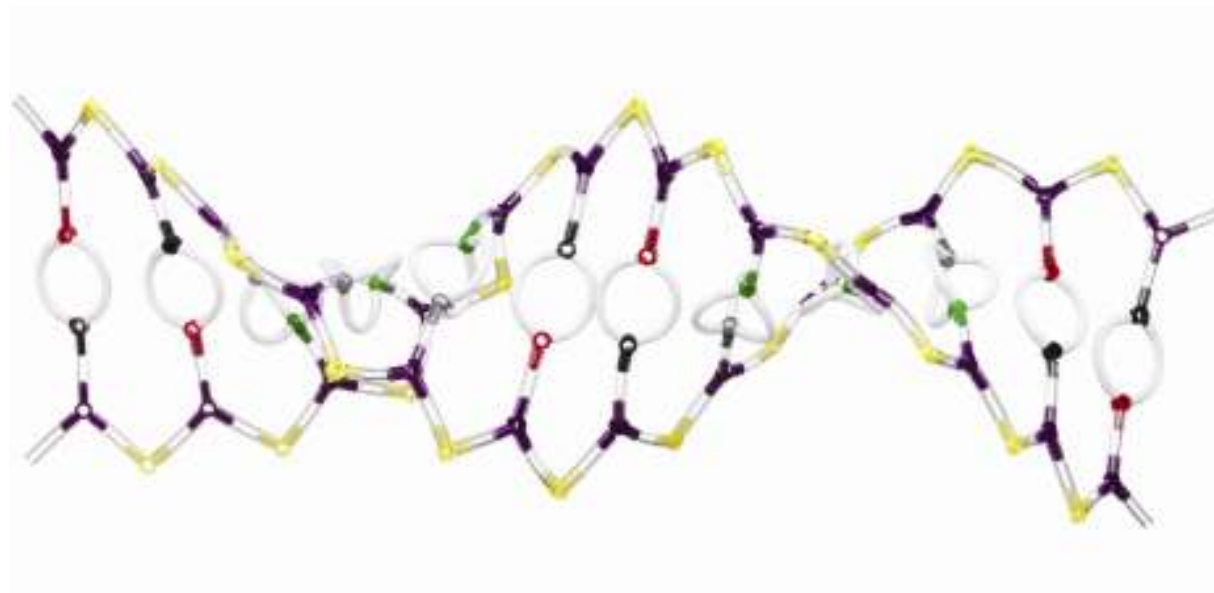
Francis Crick



1962

Unique corporate DNA

- 2 key basic factors of living organisms: Heredity & Changeability



One Abbott in Russia

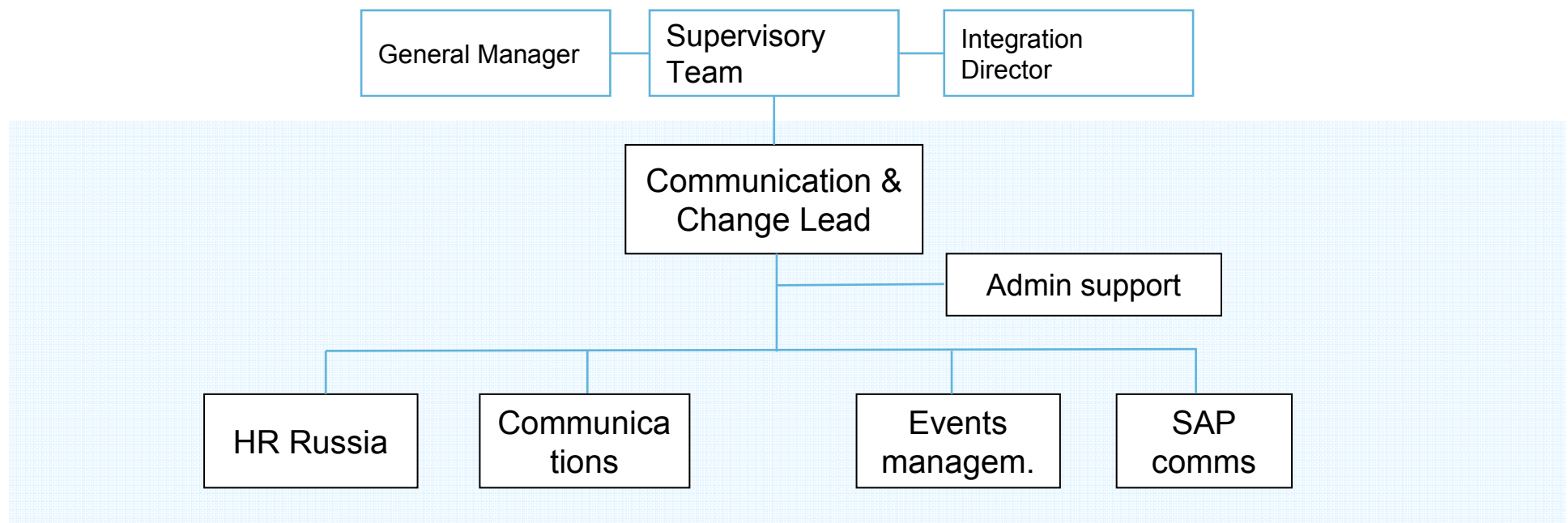
- 120 years of history & traditions
- Values
- Brand
- Stability
- Portfolio diversity
- High quality
- Expertise

Integration Project

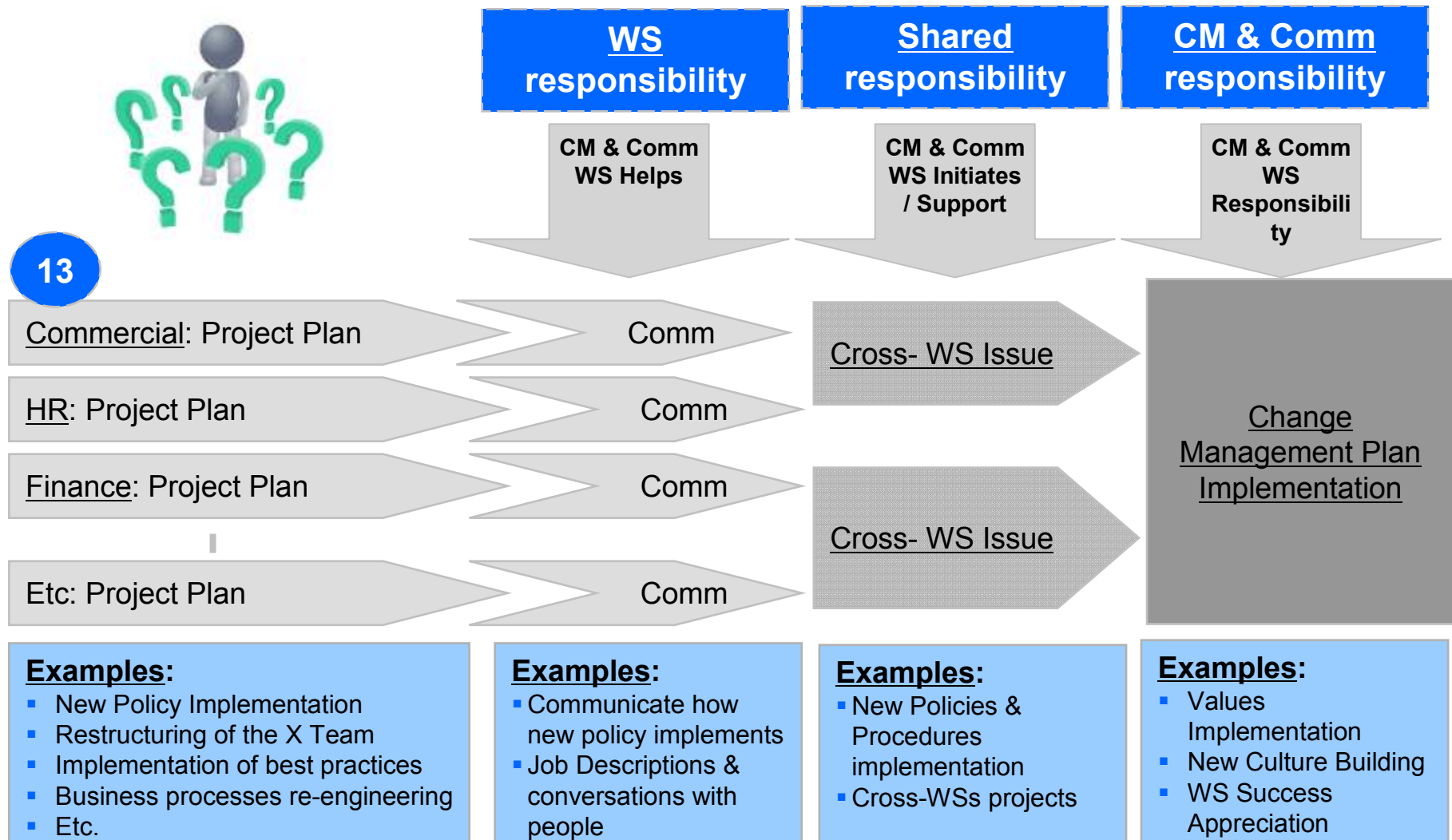
- Acquisition Announcement: February, 16, 2010
- Integration process launch in Russia: January, 2011 – March, 2012
- Integration Date: April 2, 2012
- Legal Integration:
 - All sales from one Legal Entity
 - All employees are working in one LE
- People Integration:
 - Single Culture
 - Single Business Processes



Communications & change management team



CM & Communication WS Work Model



Communication Example: Cycle Conference 2011

Main objectives & outcomes:

- Shared understanding of Abbott organization
- Shared understanding of Values
- Management team alignment
- People understanding the direction and their roles in Integration project

of employees involved

- Total - app. 900
- Management Team – all levels - app. 100

of events

- 10 CM & Comm. events for different target audiences / # of involved

Cycle Conference 2011

Evening Talk Show: Leaders talks about "Secrets of Effective Change"



Program plan

Step 1 Talk Show & CM Theory

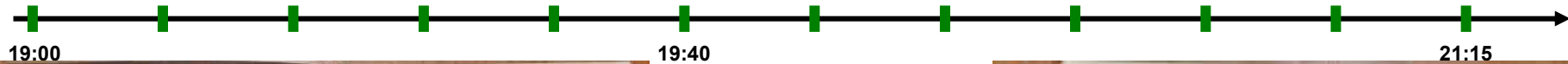
- Opening Words by GM
- Real Change Cases presented by Functional Manager & Integration Director
- Change Management Theory by Facilitator

Step 2 Real change

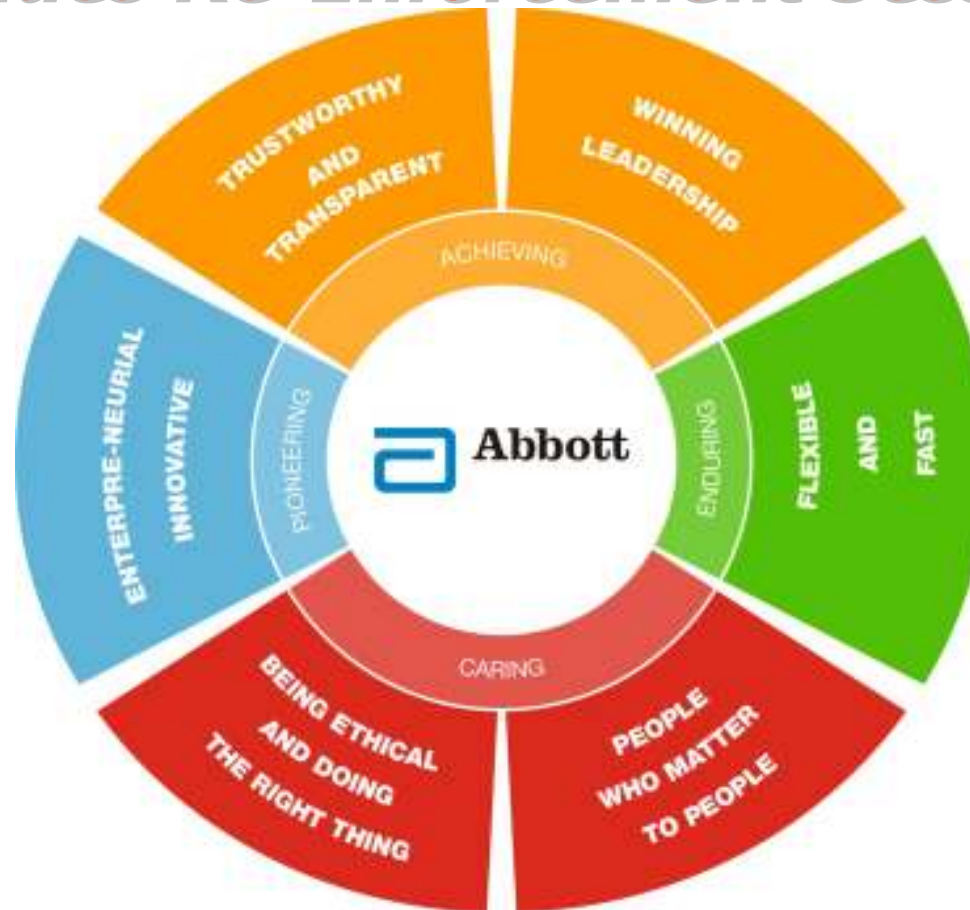
- Change Case detailed presentation by Finance Dept
- "Effective" Presentation (10 rules of effective message) preparation in teams
- Presentations delivery & feed-back from Functional Managers

Step 3 Role Play

- "Tough" questions (including resistance / emotional response) – work in groups
- Presentation of answers on tough questions
- Feed-back from Management / Experts teams
- Follow up planning



Values Re-Enforcement Session



Program plan

- Global idea: Re-enforcement of Values (launch in May, 2011)
To give every employee in the organization specific time and all possibilities to think what values mean in the everyday work life.
- Participants: 900 people - all participants of the conference
- Format: Educatement session
- Received outcomes: Motivated people, together thinking on the real meaning of values for them, for the organization and for clients.

Room set up:

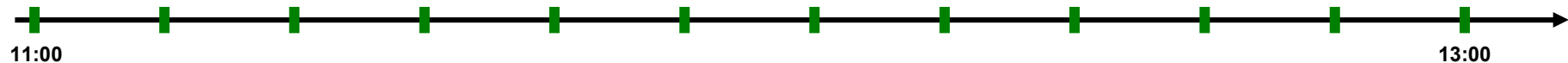
- 6 sectors * 150 participants in each (6 values)
- Sector of 150 is separated in 3 groups of 50 (Me/Team/Client)
- Each group of 50 is separated in 3 teams of 15-20 (Pictures / Words / Drawings)

Step 1 Session opening

- Opening by GM
- What are Values?
- What are usual delusion?
- Understanding / Visualization of values by Top-Management Team

Step 2 Work in teams

- 54 teams working simultaneously on understanding of one value (6 in total) / in one dimension (for me/ for team / for clients) / illustrating with one tool (picture/words/drawing)
- Presentation of each value – 6 presentations per 2 minutes each
- Closing of the session





Individual work



Session opening



Top Managers Presentations



Flipcharts for one value



Work in teams



Work in teams



Work in groups



Groups presentations

Cycle Conference 2011

Winning Together



Cycle Conference 2011

Business Breakfast with General Manager



***Optimization at factories,
HR aspect***

Karina Strashnenko
Senior HR BP, Unilever

May 17, 2012



Optimization at Factories

HR Aspect

Karina Strashnenko
Senior HRBP Moscow & Tula cluster
May 17, Moscow



Our Billion-euro Brands



Unilever

Sourcing Units



Sourcing Units in Russia



**Moscow
margarine factory**



Tula factory



INMARKO Tula

**Moscow &Tula
Cluster**



**St.Petersburg
HPC factory**



**St.Petersburg
Tea factory**



Baltimor - Kolpino

**St.Petersburg
Cluster**



INMARKO Omsk



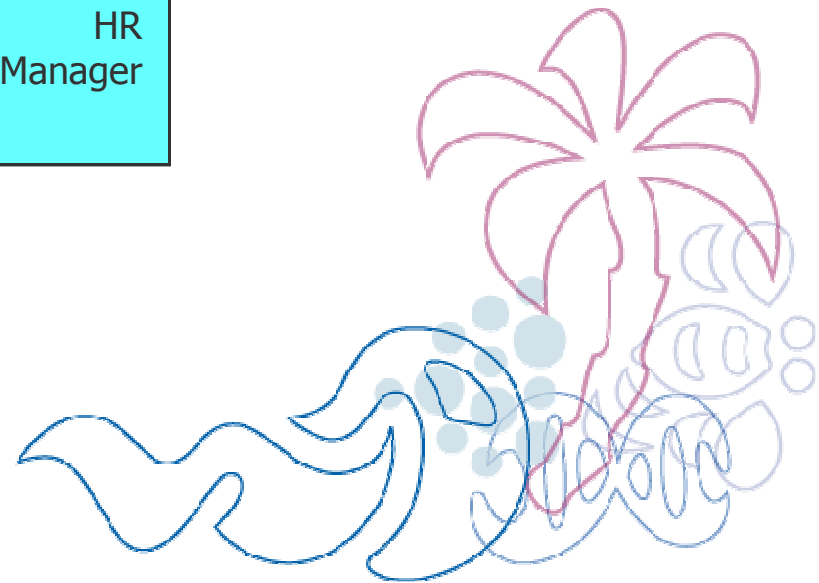
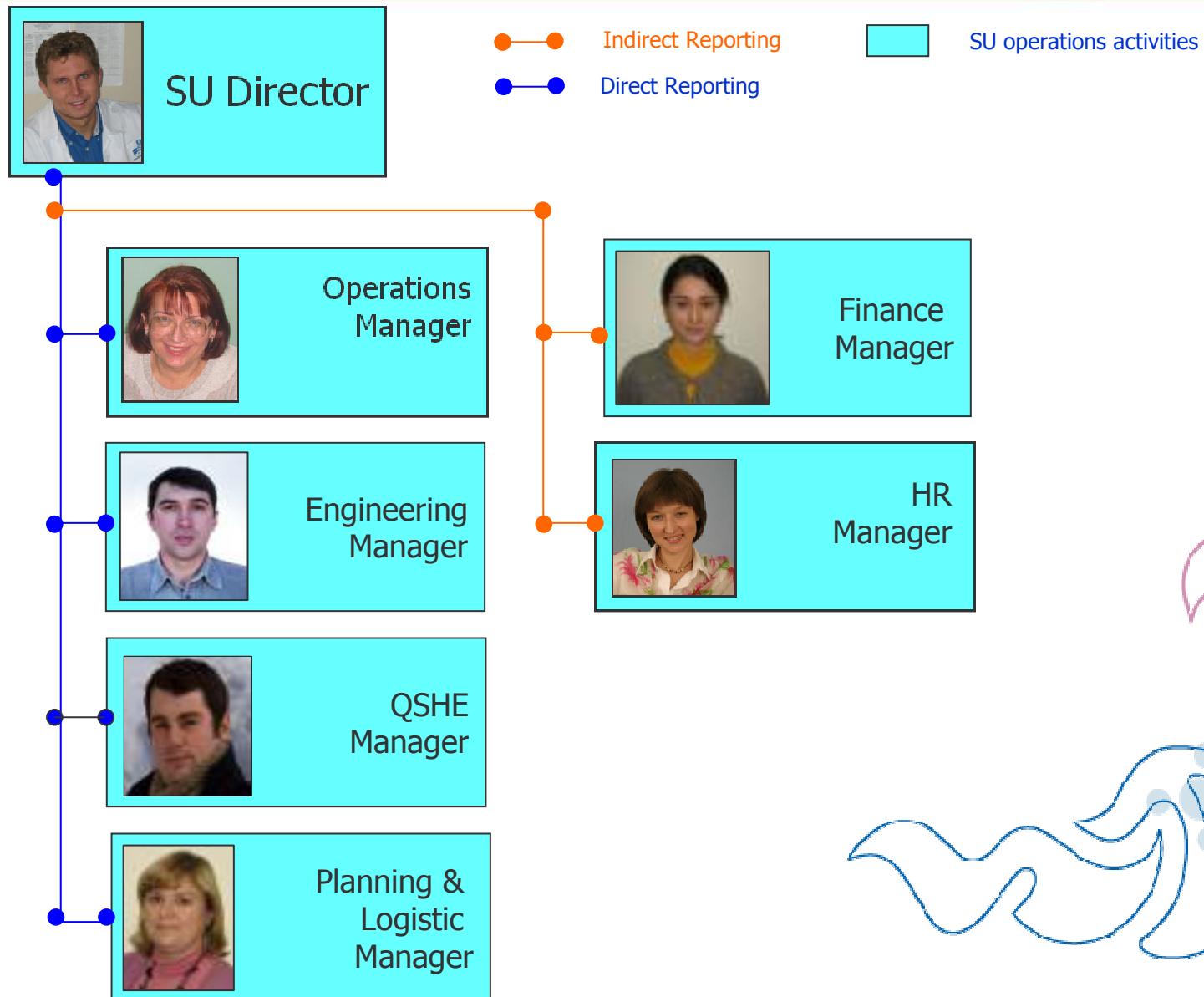
Kalina Ekaterinburg

**Ural
in integration**

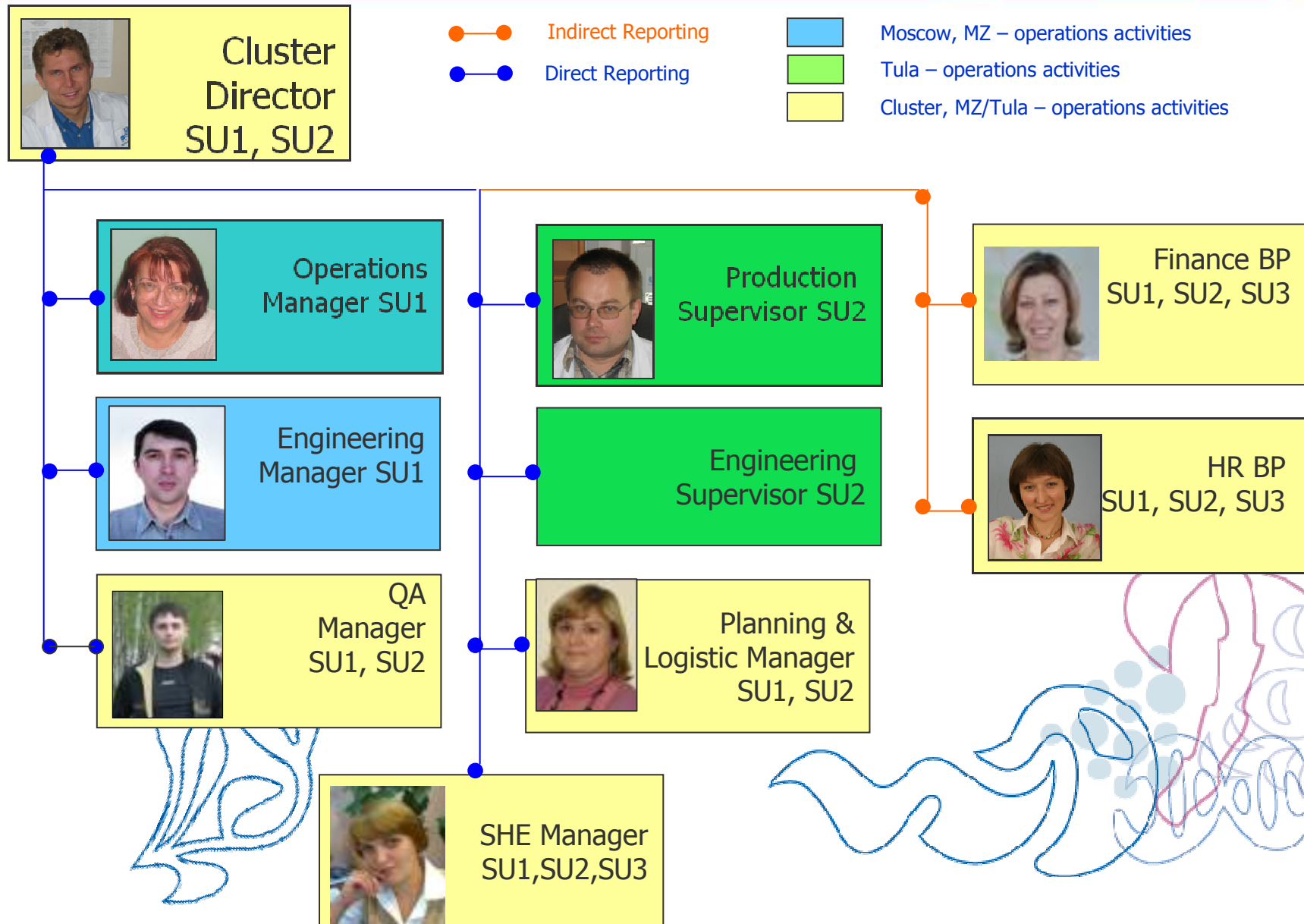
Driving Efficiency in HR



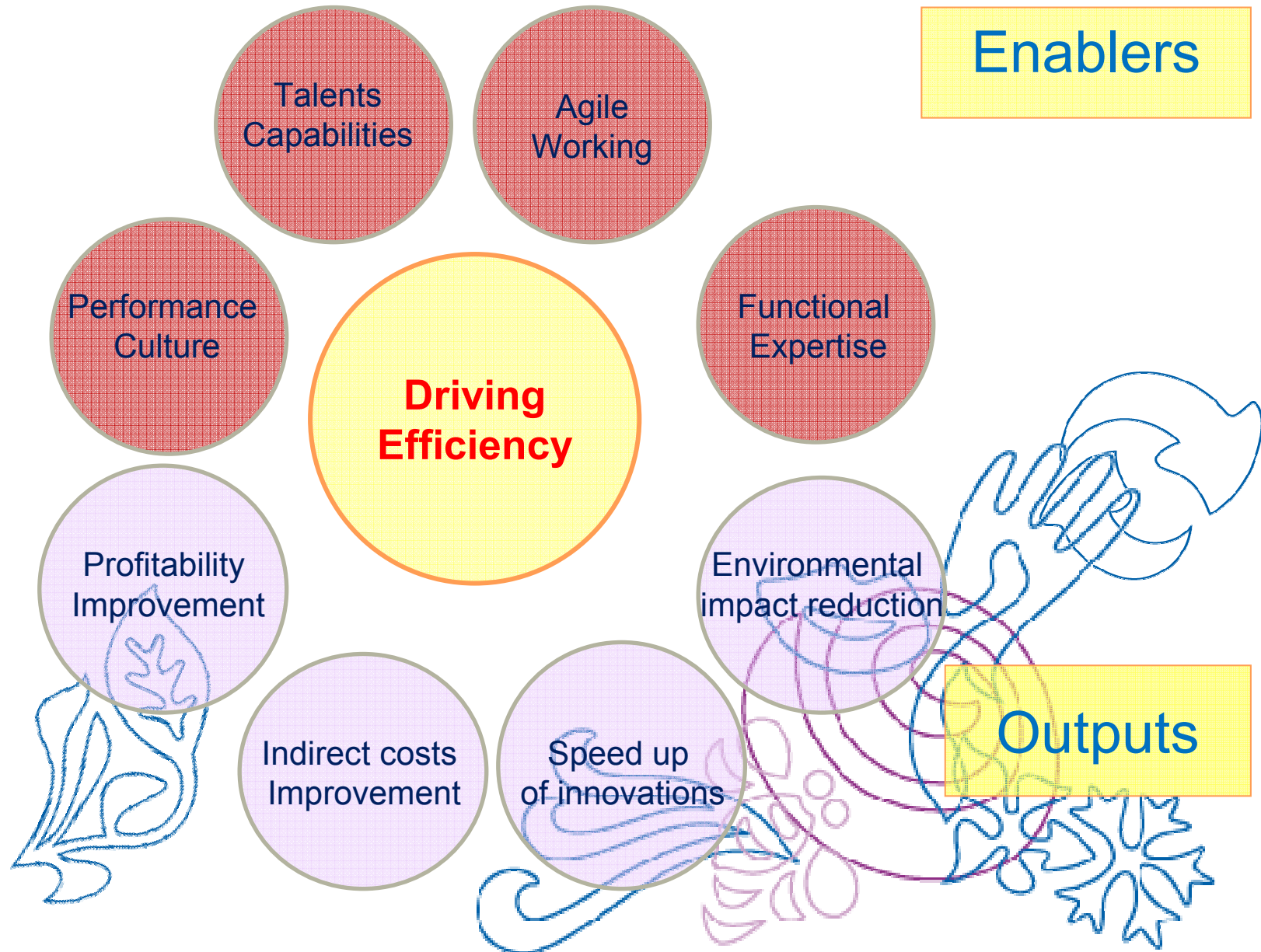
SU Leadership Team “as was”



Cluster Leadership Team “as is”

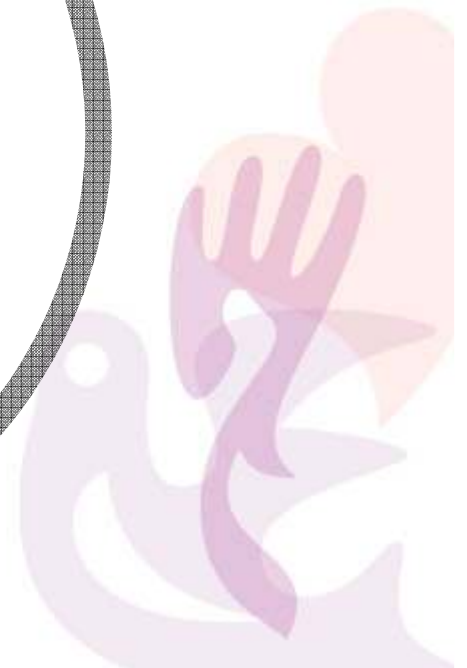
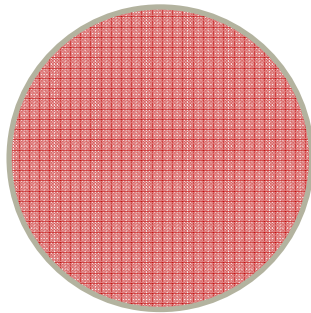


Driving Efficiency in HR





SO WHAT IS ...?



Performance Culture



Standards of Leadership

The Standards of Leadership define the way we need to do things around here in order to meet our business targets [Slide 11](#)

Goal Settings

1. 3 + 1 goals
2. Smart targeting

Performance Review

1. Leadership moments - small courageous actions that make a big difference
2. Mid & end of year discussion:
 - Performance
 - SoL
 - Development
 - Career
3. Performance ratings

Differentiated Pay

1. Bonus system
2. Salary level

•Standards of Leadership

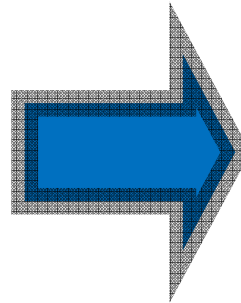
•Goal Settings

•Performance Review

•Differentiated Pay



The Standards of Leadership define the way we need to do things around here in order to double the size of the business



Talents Capabilities

Capabilities in SC

1. Mandatory learning curriculum for each standard managerial role in SC including international certification (APICS, CIPS, CILT, ICS)
2. Skills & learning matrix for blue collars
3. Integrated Maintenance concept for shop floor [Slide 13](#)
4. SC Career framework for managers & Career Roadmap for blue collars

Learning Management System LMS

1. Can be used anytime/anywhere
2. No limits for on-line learning
3. SC Academy on-line

Individual Development Plan IDP

1. 10/20/70 rule
2. 20/70 focus

•Capabilities in SC

•LMS

•IDP

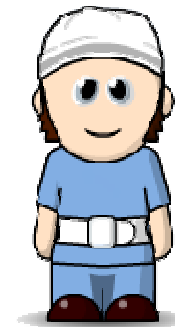


Shop floor
example

Integrated Maintenance



+



Line Operator


Mechanic

Technical Operator

Agile Working

Producing results with maximum flexibility and minimal constraints

Performance

1. "Time & attendance" are not measure of job performance any more
2. Greater flexibility  greater accountability for results
3. Agile Workers may work anytime/anywhere as long as business needs are being fully meet
4. Collaborative focus

Environment

Reducing

- Travel
- Energy consumption
- CO2 emission
- Waste

Vitality

Balancing professional and personal demand [Agile working](#)

Technology

1. Virtual Collaboration technologies
2. Advanced on-line services

•Performance

•Environment

•Vitality

•Technology

Agile working



Functional Expertise



Design once deploy everywhere

Global functional applications cascade

•Design once deploy everywhere

•Organization redesign

•No generalists

Organization redesign

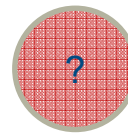
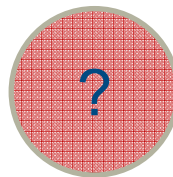
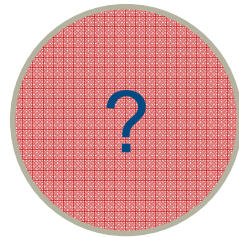
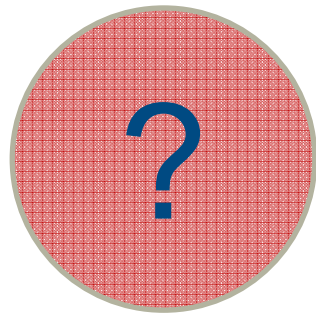
1. Functional organisation
 - Engineering excellence
 - Supply management
2. HR Framework
 - Services
 - Expertise – LD, Reward
 - Business Partnering

No generalists

Cluster Leadership Team “as is”



WHAT IS coming ...?



...



Thank you



Recruitment budgets: saving efficiency

Andrey Chulakhvarov
*Head of Recruitment
Department
Coleman Services*

May 17, 2012



Your corporate or personal HR-adviser

Coleman Services

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DEFINE EFFICIENCY IN SAVING

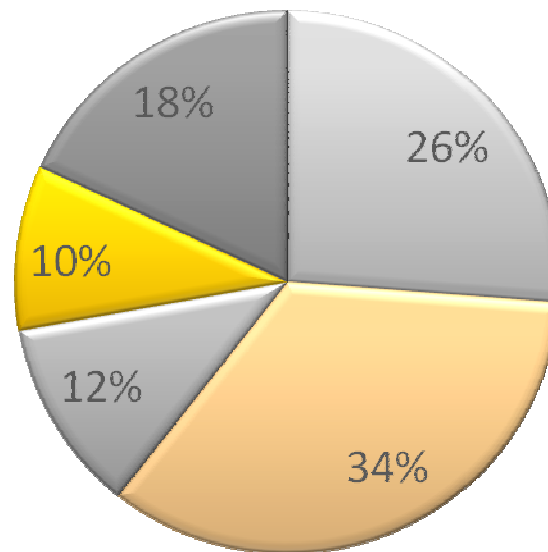


- ☐ Same value for less money
- ☐ More value for same money
- ☐ More value for less money



ANALYZE RECRUITMENT COSTS

Vacancies breakdown



- Agencies
- Internal Recruitment
- Referrals
- Promotions
- Freeze / Holds

Cost Per Placement

Year-over-Year Dynamics



RE-DISTRIBUTE EXPENSES



- ☐ Shift shares in vacancies breakdown
- ☐ Decrease overall Cost-Per-Placement
- ☐ Implement sourcing algorithms
- ☐ Know market limitations
- ☐ Manage internal talent

Planning

Execution

Control

CHOOSE PROVIDERS



- ☐ Analyze current agency placements
- ☐ Plan sourcing strategy
- ☐ Define criteria for supplier selection
- ☐ Find out provider expectations
- ☐ Identify quality-cost balance



BUILD RELATIONSHIPS WITH PROVIDERS



- ☐ Analyze current problems and risks
- ☐ Formulate expectations
- ☐ Communicate expectations
- ☐ Educate your provider
- ☐ Provide feedback
- ☐ Think long-term

Same Results



In Less Time



KEEP TRACK TO GAUGE EFFICIENCY



- ☐ Define performance indicators
- ☐ Plan controlling measures
- ☐ Analyze and re-adjust controls
- ☐ Monitor performance, gauge results
- ☐ Deal out encouragement or critic

Design → Implement → Assess → Adjust → Monitor



Continuous improvement

CREATE A STRONG TEAM



- ☐ Increase labor productivity
- ☐ Increase loyalty
- ☐ Cultivate talent within
- ☐ Decrease exit rate
- ☐ Save on recruitment costs
- ☐ Save on re-training costs

**Best way to save money is
to have no need of spending**

THANK YOU!



Your questions, please?



Measuring People and HR efficiency

Ruxandra Stoian
Partner,
PwC

May 17, 2012

www.pwc.com

Measuring People and HR efficiency

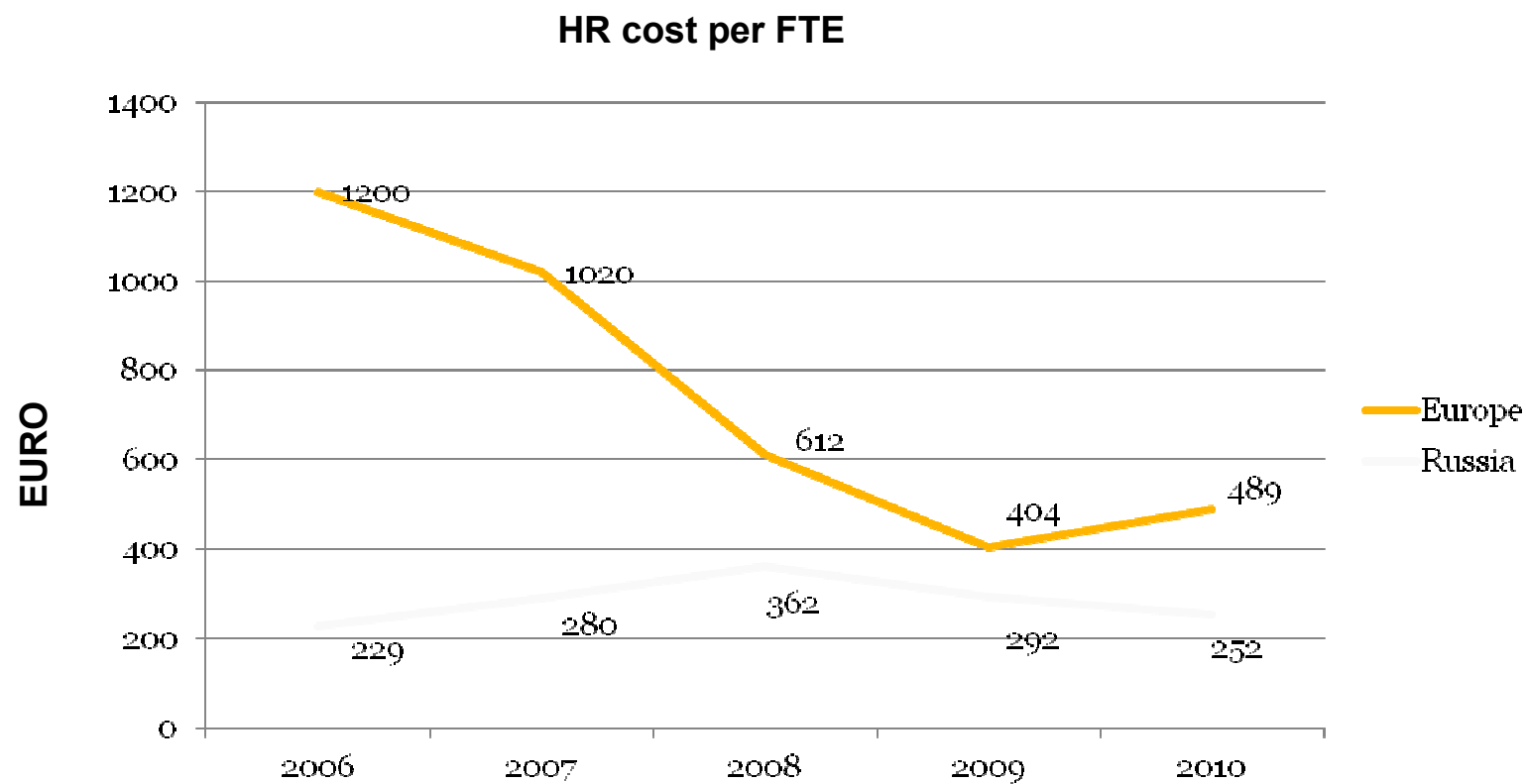
May 2012

Ruxandra Stoian

Partner
HR Consulting

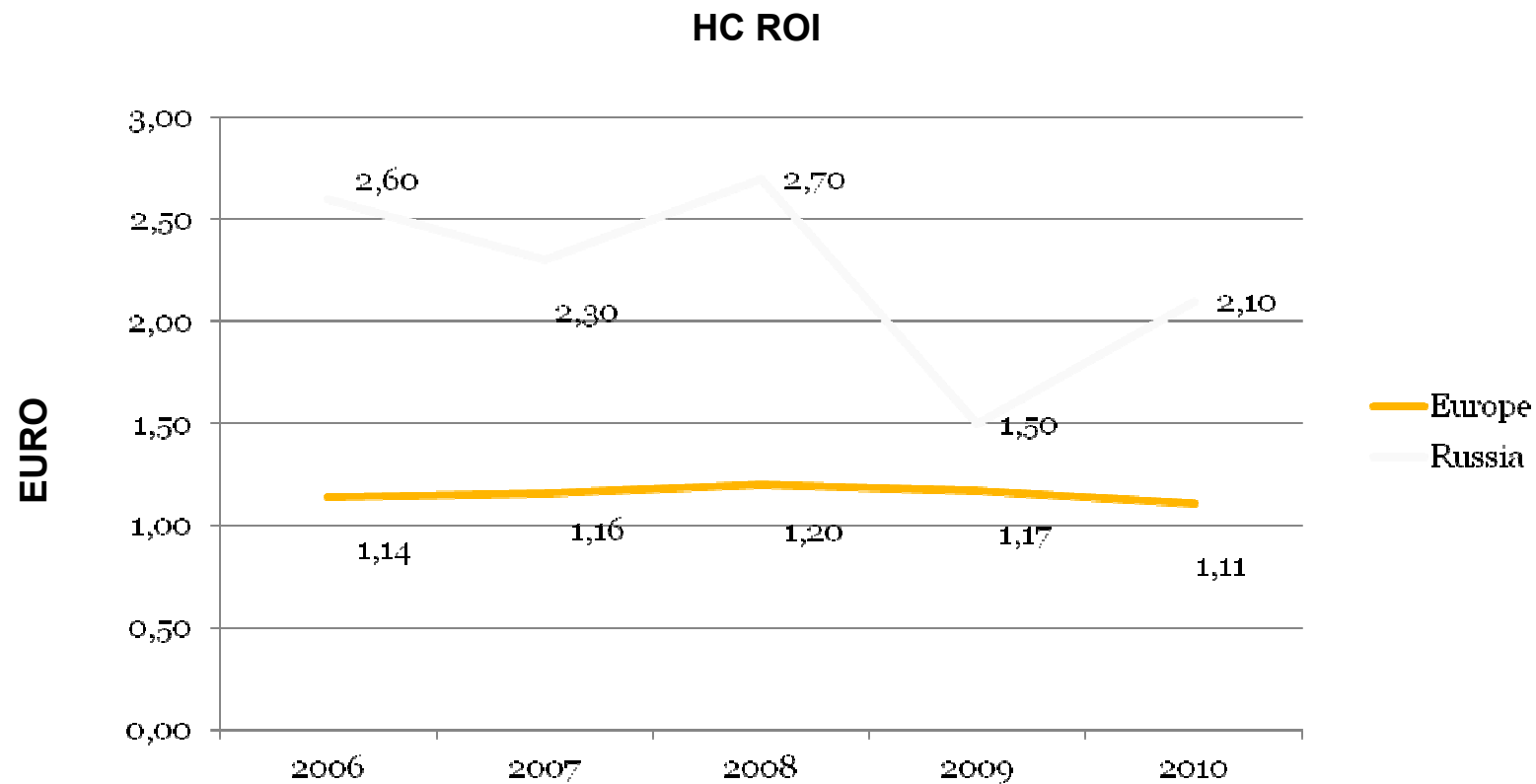
pwc

HR function cost



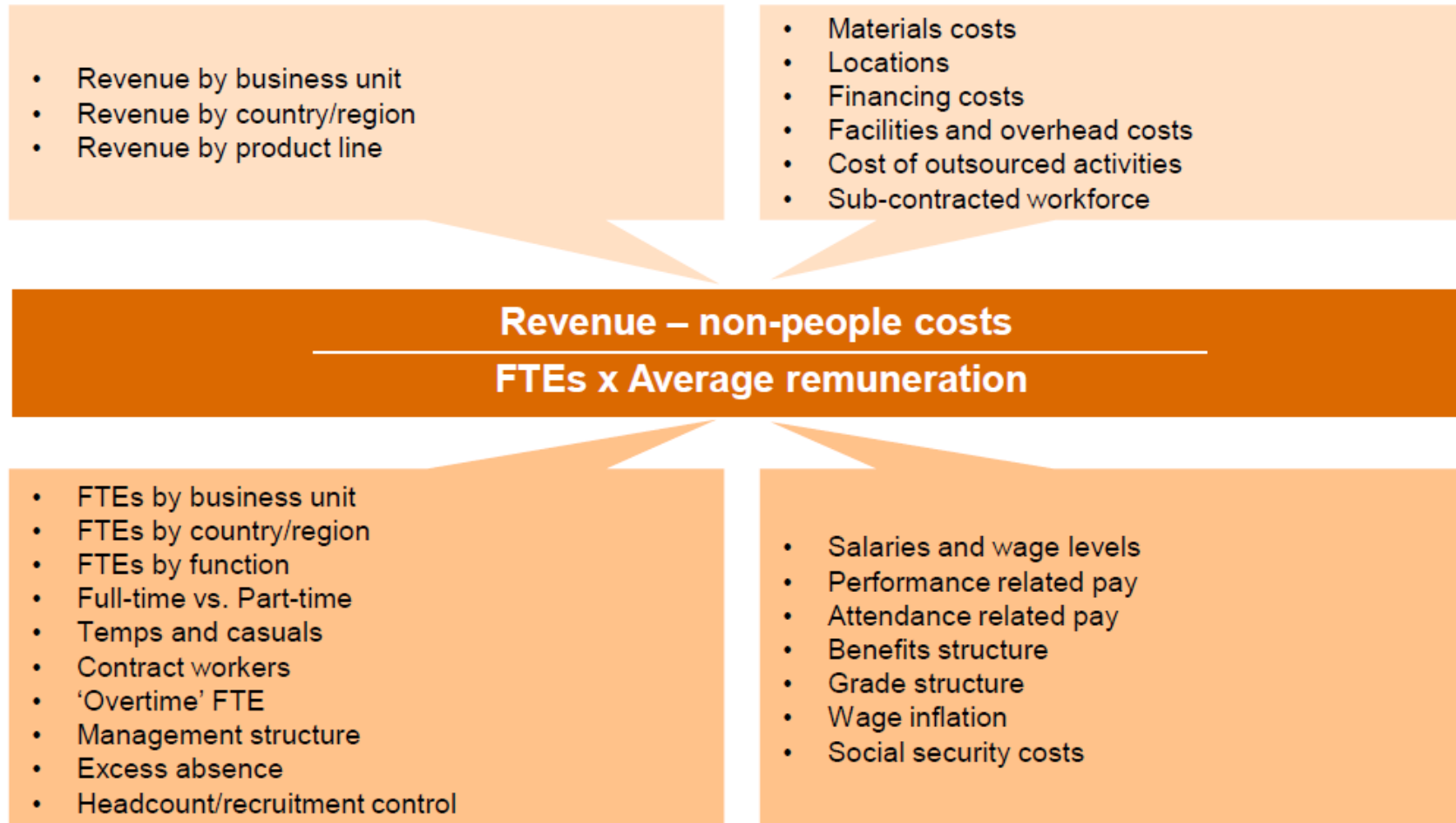
Source: PwC Saratoga HR Benchmarking Survey

Human Capital Return on Investment



Source: PwC Saratoga HR Benchmarking Survey

Human Capital Return on Investment components



If you know neither the enemy nor yourself,
you will succumb in every battle.

If you know yourself but not the enemy,
for every victory gained you will also suffer a defeat.

If you know the enemy and know yourself,
you need not fear the result of a hundred battles.”

Sun Tzu

Thank you!

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