

BDO SCOPE

EXPERT UPDATES FOR INTERNATIONAL BUSINESS

'HR has **a critical role** to play'

Mirella Bouweriks,
HR Director, Sodexo

INSIGHTS &
INTERVIEWS
ON STRATEGIC HR

AGENTS OF CHANGE

BDO



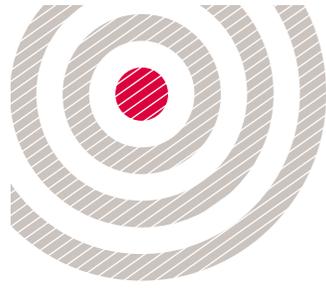
‘If you run a business, put on top your employees, then your consumers, and then your shareholders’

Richard Branson, founder of Virgin companies



STRATEGIC HUMAN RESOURCE MANAGEMENT ~ (strəˈtiːdʒɪk hjuːmən rɪsɔːs mænəʒmənt) *n.* The proactive management of the employees of a company or organisation.

Used to maximise the ability of employees to help an organisation reach its strategic goals. It includes typical human resource components such as hiring, discipline and payroll. It also involves implementing the insights offered by HR analytics and working with employees in a collaborative manner to boost retention, improve the quality of the work experience and maximise the mutual benefit of employment for both employer and employee.



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Strategic Focus on ...
HUMAN CAPITAL

People are the real capital within an organisation. Many decision-makers recognise this. But the fact that they can save money through smart use of the enormous quantity of HR data available to them and above all that they can make a major contribution to the organisation's strategy is something that by no means everyone has appreciated or been aware of.

That said, if you type in 'HR analytics' on Google it will show you that its value is increasingly being appreciated. This BDO Scope takes you into the world of HR analytics. Have you any idea how great the 'wealth' of the existing HR data is in your organisation – not only at the level of individuals, but also throughout the organisation as a whole? What exactly is it, and what does it yield? And how do you organise it? Various BDO specialists as well as experts in other areas share their vision and expertise.

Obviously, we've tested this detailed exploration for you in practice; it's part of the pragmatic way we work. In this magazine, a number of large, reputable organisations give you how they do things. They reveal how they've combined HR and strategy to work to their advantage. I very much hope that these accounts will inspire you and, better still, that you can take something away from them to improve your own day-to-day practice.

I hope you will enjoy reading this. And if you have any comments or would like to exchange views on the subject, please feel free to get in touch by emailing me at john.hijmans@bdo.nl.

John Hijmans,
 Partner, BDO Corporate Clients
 Utrecht



HARD TARGETS

75%

'People, not technology, **define the success** of innovations. As much as **75%** of a company's success is down to inspiring management, flatter structures and smarter working methods.'

SURVEY OF 1,500+ COMPANIES IN THE TOP SECTORS, BY DR HENK VOLBERDA 2014

STATISTICS PLEASE!

SIX OUT OF TEN WANT ANALYTICS

Approximately six out of every ten HR managers (58%) who want to be regarded as fully fledged business partners in their organisation insist that they can only do so with the **help of HR analytics**. They maintain that HR analytics is an absolute prerequisite in engaging in a dialogue with the executive board on an equal footing.

SOURCE: HR BENCHMARK 2014-2015, RAET AND TNS NIPO

+58%

Targeting HR data helps! Organisations applying advanced forms of HR analytics tend to

exhibit **8%** more growth, experience **24%** more growth in their net earnings and achieve **58%** more sales per employee. Outperformers appear to use HR analytics three times more often than other businesses.

SOURCE: CEDARCRESTONE 2010-2011 HR SYSTEMS SURVEY



1% REDUCTION OF ABSENTEEISM LEVELS CAN SAVE MILLIONS

Reducing sick leave and levels of absenteeism can offer major cost savings for a company. In a business with ten employees, a reduction in the absenteeism rate by **1%** can save roughly **€ 7,000** per year. And if you have **5,000** employees – congratulations! A **1%** cut in the absenteeism rate will save you **€ 3.5 million** every year!

SOURCE: MARKETCONCERN, BASED ON AVERAGE GROSS SALARY OF €2,315 PER MONTH / EMPLOYERS' COSTS (27%) / MARK-UP FOR DIRECT COSTS (100% ON AVERAGE)

ABSENTEEISM RATE	STAFF COMPLEMENT		
	10	100	5000
3%	€ 21,500	€ 211,500	€ 10,575,000
4%	€ 28,200	€ 282,000	€ 14,100,000
5%	€ 35,250	€ 352,500	€ 17,625,000
6%	€ 42,300	€ 423,000	€ 21,150,000
7%	€ 49,350	€ 493,500	€ 24,675,000
8%	€ 56,400	€ 564,000	€ 28,200,000
9%	€ 63,450	€ 634,500	€ 31,725,000
10%	€ 70,500	€ 705,000	€ 35,250,000



ENTHUSIASTIC EMPLOYEES, SATISFIED CUSTOMERS

Teams of enthusiastic and engaged employees score significantly higher in terms of revenue (**+12%**), customer satisfaction (**+12%**) and productivity (**+18%**) than teams in which employees lack commitment.

SOURCE: HARTER, J.K., SCHMIDT, F.L., & HAYES, T.L. (2002)

'GIMME SOME ADVICE!

A staggering **71%** of all executives want their HR departments to provide them with strategic advice first and foremost. And **63%** of all company directors think that HR should be a good advisor to line management.

SOURCE: HR BENCHMARK 2014-2015, RAET AND TNS NIPO

HR & BIG DATA WILL YOU SOON BE TRACKING EVERY EMPLOYEE USING GPS?

Within the next five years, the role of Chief Human Resources Officer (CHRO) will undergo a radical transformation, according to the Economist Intelligence Unit in its 2014 publication 'HR Leaders are reinventing their roles and transforming business'.

HR will:

1. Take decisions more often based on data gathered from 'the Internet of Things', such as GPS information from employees and biometric sensors.
2. Use **big data** to identify the contribution employees are making to the success of the

3. Need to be more **proficient** in handling and analysing data.
4. Be confronted with **ethical and legal issues** associated with obtaining and analysing employee data.

DATA MINING HUMAN CAPITAL BRINGS STRATEGIC GAINS

HR making the difference

Personnel expenses are generally the biggest cost item for companies. Close analysis of the effect of HR investments makes organisations more efficient and opens doors to new strategic wins. This is how HR can help you put clear blue water between you and your competitors.

Business strategies are the main springboard for all the choices an organisation makes. Each investment is preceded by a precise cost-benefit analysis. But what about HR? In practice, there is a lot to be gained here. When it comes to the staff base, which for many companies is by far the biggest cost item, the figures are not always clear by any means. What do HR investments genuinely yield for the organisation? To what extent does HR quantifiably add to the achievement of the business strategy? And is there room for yet more improvements?

Strategic input

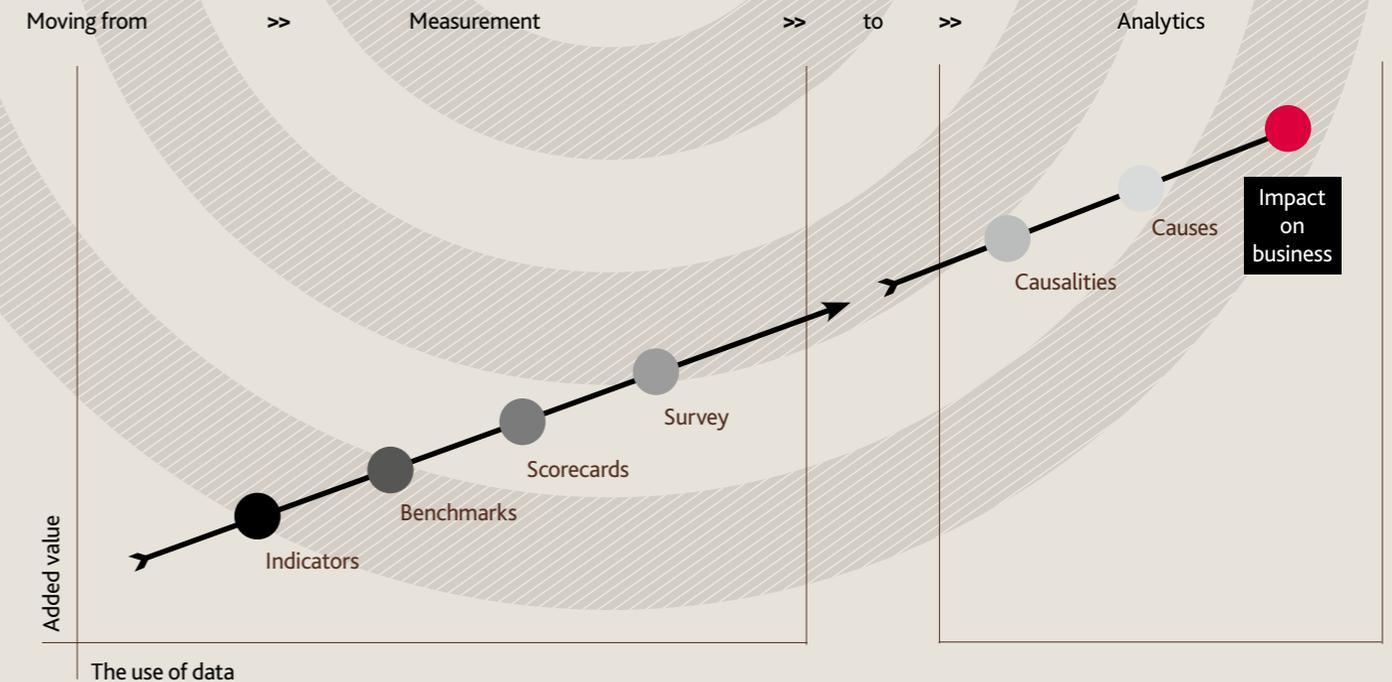
The results are surprising: not only can HR data help to cut down on costs, but it can also give a crucial strategic pointer to the best direction in which

the company can grow. 'The HR department is a potential gold mine of data, capable of making radical efficiency improvements and quantifying choices,' says BDO partner and HR specialist Has Nijssen. 'A wide variety of data is available: about the employee, their productivity and educational background, plus investments, costs and income, but company-wide figures too. If you can analyse this data, you can find out which HR activities will and will not generate a return for the business. And if you can optimally manage your biggest cost item in this way, you will discover that HR is actually the core of your business.'

New times for HR

Hard facts suggest that the potential is huge. Nijssen: 'The contribution made by HR policy to the profitability of organisations often cannot be >

'The HR department is a potential gold mine of data, capable of making radical efficiency improvements'



HR ANALYTICS: LET THE FACTS SPEAK FOR THEMSELVES!

From measuring to analysing. By not only measuring the available HR data but also studying and analysing it closely in relation to other operational data, businesses can generate unexpected extra scope for creating more added value. HR data can then even be attributed a predictive value.



Has Nijssen is a partner at BDO Consultants, where he is responsible for, and specialises in **HR services that help organisations make the most of their staff base**. He tells his clients how to organise their HR policy and processes so that they contribute to the business goals and ensure that the employees are as committed and motivated as possible.

quantifiably expressed. And of course, company directors, managers and shareholders do not like that. For decades, HR was generally internally focused and dedicated mainly to ensuring administrative control; their share in the definition of strategy was minimal. HR management was regarded more as something of a best-efforts obligation rather than a deliverable. But times are changing. The economic slowdown is forcing businesses to cut back further on their labour costs, make their staff base more flexible and increase their focus on the added value of each member of staff. Nijssen: 'In times like these, you can literally gain a lot from your HR activities. Organisations have for years been strictly managing only the income and expenditure associated with procurement, sales and marketing. Oddly enough, HR was often omitted from this equation because it was too vague and unquantifiable. However, that is now changing. In fact, "smart HR" can make businesses as a whole far more productive. As a result, organisations can make more substantiated choices. And HR's previous "best-efforts obligation" is now evolving into a concrete and measurable contribution to both earnings and strategy.'

'Good use of HR analytics leads to better management decisions'

HR analytics

According to Nijssen, HR analytics plays a crucial role in this context. 'It means you have to quantify your HR efforts and show how they are contributing to the overall profitability of the organisation. For businesses that have got this in order, HR occupies a crucial place in the organisation and is one of the pillars of their success.'

Nijssen backs up his comments with research carried out in 2014 by Dr Salvatore Falletta, Director of the Human Resource Development Programme at Drexel University in the United States, who is very clear about the fact that good use of HR analytics leads to better decisions by management. Nijssen: 'One of the key effects Falletta cites is the reduction in failure costs. HR analytics also makes it easier to establish the key drivers for business performance. This is what allows businesses to manage things more specifically in terms of the results they are seeking to achieve.'

Better performance

There are further benefits. Dr Falletta argues that, when organisations apply HR analytics to their business, this makes it easier for them to predict the effects of their policy and scenario planning. Nijssen: 'And that in turn enables organisations to respond more quickly and effectively to future changes, thereby increasing their agility. Moreover, organisations can use HR analytics for HR monitoring, reporting and benchmarking. It also boosts the control of an organisation. By working in an evidence-based manner, you can make carefully considered choices with greater certainty in a wide variety of situations.'

Various studies have also shown that organisations that embed HR analytics in their business processes also perform significantly better than those that do not. Nijssen: 'These studies have concluded that simply by making HR analytics an integral aspect of their management, businesses can structurally and sustainably improve the individual performance

both of their employees and of their organisation as a whole.'

Mindshift

In order to be able to make a real difference, many incumbent HR professionals will need to undergo a mindshift. Nijssen: 'HR needs to understand the

Dr Henk Volberda

'TODAY'S HR MANAGER LOVES STATISTICS!'

'Far from being hype, HR analytics is a logical and useful development. Slowly but surely we are seeing the HR professional evolve from a mere corporate support officer to a professional who occupies a key position within the organisation. HR is increasingly often acquiring a position in the statistical battleground of quarterly results, balance sheet positions and other financial benchmarks. This is not really surprising, given that HR gathers together a huge amount of personnel details that could be extremely useful for the business. For example, if HR knew exactly which skills contributed to success, it would be

of great value. And if HR can show how a team should be composed to deliver an excellent performance, and what style of leadership best fits them, it can make its selection accordingly and become indispensable. I am reading and seeing that HR is now taking that step. These days, more and more HR managers have a financial and economic background rather than psychology or sociology alone. My years of criticism that HR only really understood the "H" for "human" has now been overtaken. The HR professional of today and of the future also has an understanding of the "R" for "resources".'



Dr Henk Volberda is Professor of **Strategic Management and Business Policy** at the Rotterdam School of Management of Erasmus University and Research Director of INSCOPE: Research for Innovation.



WHAT IS HR ANALYTICS?

HR analytics is the quantification of the impact of investments in human capital on the business. HR analytics essentially relates to the financial return on investment (ROI) of HR policy. It connects HR data from the payroll accounts, personnel records or academic research with organisational data. By linking and analysing these, you can discover which HR investments generate a return and which do not.

Types of HR analytics:

- Evidence-based management: managing the organisation based on a proven empirical approach.
- Decision science: decision-making based on academic research.
- HR intelligence: using HR data to contribute to the results of an organisation.
- Predictive analytics: predictive statistics; 'if HR policy ABC is introduced, then the effects will be XYZ'.

HR ANALYTICS: DOS AND DON'TS

- Do not use HR analytics primarily to put HR on the map. It is chiefly a tool for streamlining the organisation.
- Always critically examine the HR needs of the organisation and the role HR can play in meeting them. HR analytics alone are not enough to optimally support the business.
- Set aside sufficient time for coding, analysing and interpreting HR data. There is still not enough really good business intelligence software to support advanced HR analytics.
- If HR analytics is to be successful, it should be embraced by the senior management of a business. HR analytics is often used to support decisions that have in fact already been made based on the intuition of the leader.
- Always combine HR analytics with business intuition. Only by combining the two will you achieve the best results.
- In other words, never take decisions based on statistics alone; HR is and remains "people" work.

Source: Research by Dr Salvatore Falletta, 2014

'Once again, HR already has practically all the data at its fingertips'

- business well and be open to external trends and developments. That applies to one's own professional sphere of activity and to developments in the market, and the need to translate them to one's own organisation. "What can we do to further optimise the organisation and achieve our strategy?" is the key question that HR should ask itself.'

Wealth of data

The good news is that HR potentially has everything to make a vital contribution to the results of the organisation as a whole. Nijssen: 'After all, HR has a wealth of data that could provide new insights that are beneficial for the entire organisation. Precisely what, for example, would a new performance appraisal system yield? Linking data can suddenly reveal that the introduction of a new appraisal system could increase employee commitment and reduce employee turnover. HR can also perform these types of analyses using data on absenteeism due to illness to establish what the main causes are. HR can then take appropriate measures on that basis. The benefits will follow almost automatically. A 1% decline in the absenteeism rate, for example, can recoup an average of €400 a year per employee. And what exactly does the introduction of specific employment conditions mean for the organisation? Does it reduce the employee turnover rate? Does it boost productivity? What percentage of its wage bill does a particular branch spend on education and training? An overview of the number of billable hours per branch will, for instance, provide insight into the performance of

different divisions. That too can be helpful. All these types of data are available in principle. It is up to HR to analyse them and demonstrate how it can use them to make things better and more efficient, so that the organisation saves on costs, increases its profits and is in a position to achieve its goals.'

Resolving problems

Despite this, many HR professionals have little affinity with figures. Nijssen: 'Traditionally, HR is not used to dealing with figures. Also, we should not forget that HR analytics also quantifies the work of the HR professional. This shows you what the added value is, and you can then attach deliverables to it. In spite of this lack of affinity, HR is taking this step. And it is not always necessary to perform complex financial analyses in order to obtain insight into what HR means for the business. Even quantifying and presenting the figures in the form of diagrams and tables can reveal patterns and prompt discussions.' The idea, maintains Nijssen, is chiefly to approach things in a solution-orientated way. 'The main thing is to look for data that can contribute to resolving a problem. This can be done at relatively simple levels, such as charting the number of days on which employees are sick and linking them to a survey of employee satisfaction. But you can also work in a highly advanced way by gathering large volumes of data on your own employees and linking them to produce early indicators. This will show you at an early stage which employees may be thinking of leaving the organisation. Once again, HR already has practically all the data at its fingertips. The trick is to get it to work for you in a smart way. Then in future we will see more often that HR – the biggest "cost item" for organisations – is justifiably offered a permanent seat at the Managing Board table.' ❖

Dr Lidewey E.C. van der Sluis

'HR CANNOT DO WITHOUT THE HUMAN DIMENSION'

'The advent of HR analytics ties in perfectly with the tendency of businesses needing more control in times of crisis. Here, too, "knowledge is power". HR analytics contributes to this process by gaining insight into employees and everything connected with them. Every employer should by definition be interested in this, but for many managing boards and executives, HR is a blind spot on their dashboard. This could change if HR were to generate more statistics and analyses. The supervisory authorities are also increasingly asking for such management information and key ratios.'

At the same time, says van der Sluis, employers must continue to understand that there is a human story behind each statistic. 'Managing a business solely on the basis of statistics is a little too short-sighted. Statistics provide a snapshot in time behind which lies an entire world. In order to know what is really going on, it is important to supplement the analyses through dialogue with employees so as to learn the story behind the statistics. In times when businesses are managed on the basis of efficiency and cost-cutting, HR analytics can quite simply offer better insight and understanding of what employees are doing in and for the organisation. But it does not replace managing and coaching employees. This is and should remain "people" work.'



Dr Lidewey E.C. van der Sluis is Professor of **Strategic Talent Management** at Nyenrode Business University and North-West University in South Africa.

ABN AMRO

Sector Finance

Service/product Banking products

No. of employees 22,000 in
21 countries

Annual revenues €7.3 billion

www.abnamro.com



'HR is the pivot for decision-making'

ABN AMRO has used HR analytics for the past 18 months to help make better decisions for the business. Patrick Coolen, responsible for HR metrics and analytics, explains.

name Patrick Coolen
position Manager HR metrics and analytics at ABN AMRO

'We now know which leadership style leads to more sales'



ABN AMRO'S
HR TARGET
'Measuring the influence
of a single HR
variable on the
organisation's result'



'Factors that encourage performance in one department do not necessarily do so in another'

on the business more effectively, showing us what measures our organisation needs to take to achieve certain results. We can also use our findings to help the organisation take better decisions.' Coolen does not mention concrete statistics or percentages. 'In some business units, we can see a link between employee engagement and the number of products sold, whereas in others there is a connection between lack of clear vision and absenteeism due to illness. These are all examples of the impact of HR on business data that are crucial for both the organisation and its employees. It is especially useful to be aware of these differences so that, depending on the business unit, we can gain a clear understanding of what can help the organisation and its employees.'

The business welcomes HR analytics

According to Coolen, HR analytics also gives us the opportunity to test our actions. For example, what is the effect of labour mobility on the business's results? Coolen: 'We are currently looking at how and to what degree a high number of staff movements within departments can affect organisational goals such as productivity and customer satisfaction. A certain degree of mobility would seem to be good, but too much can be harmful. This again can differ within each unit. HR analytics also tells us which factors influence customer satisfaction. For instance, we can see whether a specific form of leadership or corporate culture leads to increased customer satisfaction. It would of course be great if we could tell the organisation that a certain leadership style or degree of engagement would push up sales. That is more interesting than simply announcing that employee engagement has gone up a notch. That is why the business welcomes HR analytics, since it is something it can actually put to practical use.'

Pilot, proof, preach

Coolen started his work in a very practical way. 'We asked senior managers what issues they were most concerned about. This might be revenue, or declining customer satisfaction, rising absenteeism

rates or falling employee productivity. We then studied the existing business data relating to these topics and linked them to our HR data with the aim of identifying any correlations.' Coolen tries to exclude coincidences where possible. 'Strictly speaking, our research is not scientific, but it is very thorough. We use proven statistical techniques, algorithms and regression models. Not until a link has been demonstrated using these techniques do we share our findings with management. That is the concluding stage in the whole process.'

Coolen explains that working with HR analytics consists of three stages: pilot, proof and preach. Whenever the organisation has a question and the relevant business and HR data are available, HR can start by rolling out a pilot project. By combining statistics with data sets, it can then look for correlations between HR factors and business results – the proof. Finally, there is the preach stage, when HR naturally has to share the results with senior management.

An appetite for more

The results achieved at ABN AMRO have whetted Coolen's appetite. 'Why does productivity in one department go up when employee engagement improves, but not in another? If we knew the answer, then we could be even more helpful to our organisation and its employees. The great thing is that we can monitor as many as 22,000 employees for several years, which yields a wealth of useful information. We are also using elasticity models to show what happens to the results of the organisation if we adjust a single variable, such as leadership style. We want to measure the impact of this as accurately as possible.'

Coolen explains that all this is followed by a further phase. 'We are now mainly analysing and trying to explain the existing data in the organisation, from both HR and the business. Later this year, we want to take the next step and look at whether, and to

what extent, the instruments that HR is using, including career development coaching, leadership programmes or mobility training, are contributing to ABN AMRO's results. In short, we are also going to measure the effectiveness of HR.'

'People work'

Coolen is enthusiastic about the opportunities HR analytics offers the organisation. He regularly gives national and international talks warmly endorsing the method. 'Businesses regularly insist on well-substantiated business cases for each investment they make in every discipline except HR. Yet if there is one discipline that has data that could really help the business develop further, it is HR. Knowledge is power, and that motto applies here too. With that knowledge, we can help the organisation to take better decisions and make the work more enjoyable and suitable for our employees (who will also benefit from HR analytics). The golden rule, though, is that data must never be used on its own. For that reason, I always discuss the findings with a team of experts from the business, not just with data analysts. The figures are taken from the analyses, while the work of interpretation itself is always done by people.' ◀

Patrick Coolen studied Management of Information at the Tilburg University (1995) before joining ABN AMRO as an IT consultant. In 2004, after working as a recruitment officer for the bank for several years, he switched over to HR where he has held various posts. He has been responsible for HR metrics and analytics since 2013.

From literature on the subject, we have known for a while what motivates employees and under what circumstances they are more productive and achieve better results. Commitment, satisfaction and motivation are frequently the critical success factors. 'Why then apply HR analytics?' sceptics will ask. Patrick Coolen, who is responsible for HR metrics and analytics at ABN AMRO: 'We also look at the literature on the subject. Research generally offers useful suggestions about the impact that HR can have on employees and the business. But we are also keen to test these hypotheses in our organisation. And what do we find? There are always interesting differences between business units.'

Differing results

In mid-2013, Coolen began analysing the HR and business performance data. 'This helps us to measure the impact of HR

PRORAIL

Sector Logistics/transport

Service/product Dutch railway infrastructure

No. of employees 4,000

Annual revenues €1.2 billion

www.prorail.nl

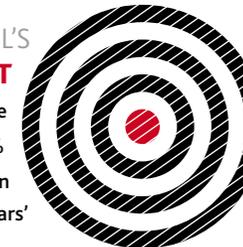
'HR can make more of a difference than ever before'

name Madelon Flint

position HRM Director at ProRail

PRORAIL'S
HR TARGET

'Internal mobility rate to rise from 3.5% to 20% within five years'



Dutch railway infrastructure operator **ProRail** is about to embark on a fundamental restructuring. HRM Director Madelon Flint has devised an HR policy that gives real substance to these new goals.

The ProRail HR department operates in a complex environment. The company is committed to making the Dutch rail infrastructure safer and more reliable. At the same time, it must become more efficient and customer-oriented. Added to that, the Ministry of Infrastructure and the Environment has tasked it with making a structural saving of €48 million by 2018, involving 560 job losses.

Madelon Flint: 'A mission of this kind actually helps to bring about the necessary change. There is a sense of urgency, and HR can now make more of a difference for the organisation than ever before.' Flint's department is providing support for management to encourage employees to implement the organisation's strategy quickly and effectively. 'We are helping to ensure that employees are deployed as efficiently as possible, so that ProRail can fulfil its mandate with fewer resources. We can only do so if we know exactly what the organisation wants, and if we coordinate our plans with these requirements down to the last detail. That is why HR is so closely involved in formulating the organisation's strategy.'

Willingness to change

In 2013, Flint set about reducing capacity while also reaching the organisational goals in a way that would get and keep employees motivated. 'To achieve all this, the organisation needs to be flexible. We will also need to have sufficient expertise in-house and our leaders will need to be able to manage and facilitate all this.'

Flint has created this flexibility primarily by encouraging internal mobility. 'We are giving employees extra opportunities and making them aware of the benefits of change. In doing so, we are working towards a situation in which an employee spends an average of three to five years in the same role in order to remain broadly

deployable. Our internal mobility rate is currently 3.5%. We would like to increase it to 20% within five years.'

Professionalism and leadership

HR also focuses on expertise. Flint: 'The trick is to know exactly what expertise the organisation needs and which employees fit that requirement. We are primarily a technical organisation that requires a high level of expertise. We therefore need to hang on to people with the necessary expertise and develop them further. Another thing we looked at was age structure. We do not want to have to lose people now because they are too young and do not have enough knowledge, given that we will need them later on. So we have reinstated the "master and apprentice" principle, in which experienced older employees teach their trade to their younger counterparts.'

HR at ProRail is also looking at leadership. Flint: 'We want departments to team up more, and leaders should facilitate this. That is why we have brought together 360 managers and developed leadership programmes to promote interdepartmental cooperation. Our HR policy is now consistent with what the business is working towards. As a result, we can ensure that the organisation genuinely works in a more efficient, decisive and customer-oriented way.'

Madelon Flint studied Economics at the University of Amsterdam and has been HRM Director at ProRail since March 2013. Prior to this, she was COO for the Netherlands at the Royal Bank of Scotland Group (2008-2009) and HR Director of Services at ABN AMRO (2004-2008). Ms Flint's work at ProRail was nominated for the HR Proffie 2014, an industry award for the best HR policy.

ROYAL HASKONINGDHV

Sector Technology
Service/product International engineering and project management consultancy

No. of employees: 7,000 in 35 countries

Annual revenues €651 million (2013)
www.royalhaskoningdhv.com

'The benefits of good salaries'

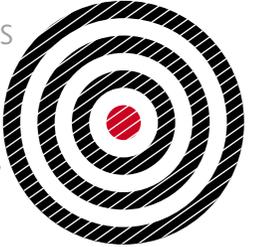
name Marianne van de Ven
position HR Director at Royal HaskoningDHV



ROYAL HASKONINGDHV'S

HR TARGET

'A flexible wage bill, within five years'



Many businesses pay higher wages to employees on permanent contracts and older employees. **Royal HaskoningDHV** decided to put this dogma to one side: it rewards people for performance and flexibility. And in doing so, the organisation has become more decisive and effective, explains HR Director Marianne van de Ven.

'We help the business to be more effective and efficient so it can execute the corporate strategy to the fullest,' says Van de Ven, HR Director at engineering consultancy Royal HaskoningDHV in the Netherlands. The new remuneration system that Van de Ven introduced to the organisation in the summer of 2014 illustrates this well. 'If you compare different remuneration models, you are left wondering whether companies really are paying their staff for what they claim they want to reward – for instance, variables such as enterprising spirit, broad deployability and flexibility. Most businesses in fact primarily pay people for the work they do and for past performance. The more experience an employee has in one and the same professional area and the more years they have been in service, the higher their salary generally is. We believe this can be approached differently and better. In any case, it was high time the system was overhauled, since many employees were now earning more than the market average. Remuneration policy was also inflexible, as a result of which salaries were not able to move with the market. This in turn kept wages too high in times of economic decline.'

New model

The merger between engineering consultancies Royal Haskoning and DHV in 2012 presented a perfect opportunity to reinvigorate remuneration policy for the Dutch arm of the organisation. Van de Ven: 'A new company was formed, along with a new strategy.

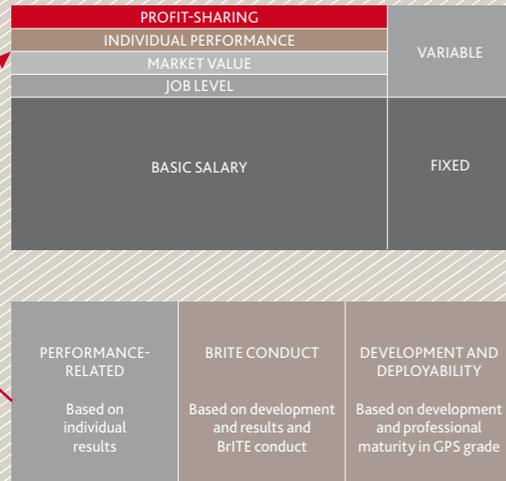
A new remuneration policy can be of help to bring the new strategy to life. The remuneration policy had to satisfy three principles as a minimum. The company had to be able to justify the salaries paid, employees had to be paid for what they were currently doing (rather than too much for past performance) and remuneration policy had to take account of the fact that the knowledge and skills of employees would be retained for the organisation.'

After having sidelined the old remuneration policy, the company devised a new model. Van de Ven: 'It centred on the fact that fixed basic salaries are now linked to people's job level and the market value for a particular position in the engineering sector. In other words, we are looking at what salary levels are paid for what types of jobs and work duties, thereby effectively abandoning the principle of remuneration based on length of service.'

Rewarding performance

In practice, this new remuneration model means that the salaries of employees could rise faster if they are lower down on the salary scale, and less rapidly towards the higher end of the scale. Van de Ven: 'Moreover, younger employees on lower salary scales will in the future be paid a higher proportion of fixed salary than more senior staff. More senior employees can earn a higher variable component in the form of market value, job-related or performance bonuses. There is also a profit-sharing scheme for everyone who delivers a good performance. These bonuses are not paid automatically though. For example, the market value bonus >

THE NEW REMUNERATION MODEL



The basic salary constitutes the fixed part of an employee's salary. This can be supplemented with a variable element that is dependent on job level, market value, individual performance and a collective profit-sharing scheme. The aim is for the fixed element of the salary to be reduced over a five-year period.

› applies to employees for whom we can charge higher fees than is usual in the market, or who have highly sought-after expertise and add significant value to our business. A job-related bonus is intended for employees who may temporarily be given significantly more responsibility or have been asked to perform more complex tasks than commensurate with the current rating of their role. A performance-related bonus is awarded to employees who deliver a certain level of results. This means that they can earn more than if they were on a fixed salary alone. And that is precisely what we are intending to achieve with this new remuneration model. We want to control fixed wage costs more effectively while continuing to reward good performance. Here, too, then, you can see that we are very clearly rewarding current performance.' Moreover, it is now also possible to freeze – or even reduce – a person's salary if their market value goes down, obviously in consultation with them. Van de Ven: 'This is an important and sensitive adjustment. But even the Works Council was in favour of demotion and has approved our new remuneration system.'

Fewer fixed wage costs

Van de Ven: 'Although we have only recently introduced the new policy, the forecast is that we can reduce our fixed wage costs within five years. We want the new model to be fully operational by then, and we are hoping that we can reward more of our employees according to their market value. Managers can then adjust salaries more easily to apply the right level whenever this is called for.'

The new remuneration model has a further advantage. Van de Ven: 'Until recently, we were sometimes forced to let employees go because we could no longer charge the usual fees for them in the market. Now that our remuneration policy is based on principles such as demotion and performance-related pay, we can retain these employees for the organisation. As a result, we can now deploy our experienced senior workforce with customers at competitive rates. What is more, the new model is far more attractive for job seekers than the inflexible traditional system we had before.'

Time, effort and trust

Introducing a sensitive subject such as a new remuneration policy takes time and effort. Van de Ven: 'HR is by definition about people. Whereas in the marketing, sales or purchasing departments a strategy can radically change quite quickly, with us it requires patience and effort, and we first have to create support and trust. HR can make all the difference for organisations, but we generally need more time to make that difference. As a result, we have some way to go before a genuine transformation has taken place, but our executives and the Works Council alike are confident that this new remuneration model will make the organisation more decisive and efficient and is making it easier to execute the corporate strategy. In addition – and this effect can not be underestimated – the new policy will lead to more highly motivated employees.' ◀

Marianne van de Ven studied HRM at the Hogeschool Haarlem (post-graduate), followed by business administration. Since 1998 she has been HR Director for the Netherlands at Royal HaskoningDHV. Between 1975 and 1998, she worked as an HR officer at Tebodin bv, a consulting and engineering firm.

WORDS OF WISDOM

GREAT MINDS, VALUABLE THOUGHTS
ON HUMAN RESOURCE MANAGEMENT

'If you just work on stuff that you like and you're passionate about, **you don't have to have a master plan with how things will play out**'

Mark Zuckerberg, Facebook founder and CEO

'When you're in a startup, the first 10 people will determine whether the company succeeds or not. **A small team of A+ players can run circles around a giant team of B and C players**'

Steve Jobs, founder of Apple

'**Recruiting should never be outsourced.** Everyone at your company should be different in the same way'

Peter Thiel, author of Zero to One: Notes on Startups, or How to Build the Future

'**Take our 20 best people away, and I will tell you that Microsoft would become an unimportant company**'

Bill Gates, founder of Microsoft

'In high-cost societies value can only be created through innovation. And that takes **an enormous focus** on human assets'

Lynda Gratton, London Business School, best-selling author, focuses on people-centric strategies for transforming companies

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'HR the change agent'

Sodexo regards HR as 'an agent of change' for the organisation. 'As partners in business, we work with the operation and other professionals to ensure that it can pursue its mission and strategy,' says HR Director Mirella Bouweriks.

name Mirella Bouweriks
position Director of HR International
Large Accounts at Sodexo

SODEXO'S
HR TARGET

'By 2016: be a
global top-10
employer-
of-choice'



Improve the quality of life for our employees and those we serve' is the French multinational's mission. 'We are an organisation whose management is well aware that it is largely down to our 420,000 employees in 80 countries to make this mission a reality, with their passion and commitment. As many as 95% of these employees come into daily contact with consumers; Sodexo serves for 75 million customers each day. Human resources development has been crucial for our growth so far, and is also vital for the future growth of Sodexo,' explains Mirella Bouweriks, Director of HR International Large Accounts at Sodexo. 'It explains why we have the highest standards when it comes to training and development, promotion, diversity and inclusion, and employee engagement.'

At Sodexo, HR is therefore pursued at the highest level. 'We do so because we are confident that by putting the "quality of life" of our employees first, we will create dedicated and committed staff,' adds Bouweriks. 'Because Human Resources, together with Operations, is in charge of managing the "human" side of our organisation, HR has a critical role to play, both in attaining our commercial targets and strategy, and in initiating change. What is more, HR can only realise this role because it occupies a position in the management of the organisation.' This means that HR forms part of the strategic decision-making structure of Sodexo. Bouweriks: 'And that includes our bidding and tendering processes. Before a bid is submitted, it must also be signed by HR. Once again: we are a "people company" company. After all, how can we claim to improve the quality of life of the people we serve if the employees who are delivering those services don't also reap the benefits of our strong convictions?'

Future-proof

Talent management and leadership development are issues that Bouweriks and her department particularly focus on. 'It's up to us to make the organisation future-proof. Sodexo wants to open up new markets, and the organisation – i.e. the people – must be correctly positioned as a result. We've developed programmes for this, for example to identify the knowledge and skills we need both now and in the near future, who our talents are and how we



can further develop them. We do the same for our leaders, whom we want to develop so that they can help the organisation achieve its mission and growth more effectively. For example, we recently took over the facility services at 72 sites for one of our leading customers in Asia. At such times, we start by looking at our internal capacity and the development opportunities for our staff. One of the keys to our future growth is our ability to attract and retain more young entrepreneurs – the future citizens of the world. We are confident that we can keep our employees committed and loyal by enabling them to grow within the organisation. Offering them career opportunities abroad is one possibility; this increases their engagement with their work and helps them to develop capabilities and knowledge. Which is precisely what we want. However, we are also committed to recruiting local talent, which enables us to contribute to the economic and social development of the local community in which we are based.'

'Key progress indicator'

Bouweriks firmly believes that measuring employee commitment, otherwise known as 'engagement', is an important way for HR to help the organisation achieve its mission and strategy. 'This goes further than simply making sure our employees are satisfied with their work. It's about gauging genuine engagement with the work, our customers, and levels of connectedness to the organisation. We already know that when this sense of involvement is high, the organisation is in a better position to grow and be successful. For instance, in business entities where the "engagement rate" is higher, growth and operating results also go up. We can't yet attach hard statistics to this, but the deployment of HR analytics which gives us insight into which variables influence employee engagement is certainly something HR is focussing on. The fact that there is a clear correlation between commitment and results is, however, something we are already aware of. For that reason, engagement is a key progress indicator for the organisation.'

Sodexo scores well in this regard. Bouweriks: '92% of our employees feel that they add value to our consumers, which is in turn important for their sense of commitment. And 78% of our staff say they feel Sodexo is the best workplace for them. They also say they understand the company's vision and business objectives, and have confidence that they can use their skills to do their job well.'

HR and strategy

Finally, Bouweriks turns to the concepts of 'diversity' and 'inclusion'. Bouweriks: 'Diversity and inclusion are business imperatives which guarantee an inclusive organisation with strong values that can integrate people from different cultural, personal and professional backgrounds.' In this particular instance, diversity is about accepting the differences between people. Inclusion is about the realisation of an organisational culture, including leadership. Bouweriks: 'It also allows us to respond quickly to changes in the marketplace, demonstrate strong business acumen and enhance our ability to innovate for our clients and consumers. A diverse staff complement is important not only for our clients, but also for our employees and the organisation itself. Beginning with the

'Bid proposals must be reviewed and approved by HR'

first of these groups: consumers are no longer a homogenous group. Our clients and their employees are becoming increasingly diverse, including within local markets. Our own staff complement therefore needs to reflect that: in other words, it must include men and women of all ages and of different nationalities and backgrounds. We also know from both professional literature and practical experience that diverse teams are more creative and perform better than homogenous teams'.

Mirella Bouweriks studied economics at Maastricht University and Change Management at the School of Management in Groningen. She also acts as a professional mediator. Before joining Sodexo as HR Director for the Netherlands in 2009, she worked at Vodafone, Ericsson and as HR Director for Orbis Medisch en Zorgconcern. In 2013 she was appointed HR Director of International Large Accounts at Sodexo. She lives in Vreeland (NL) and works in London.

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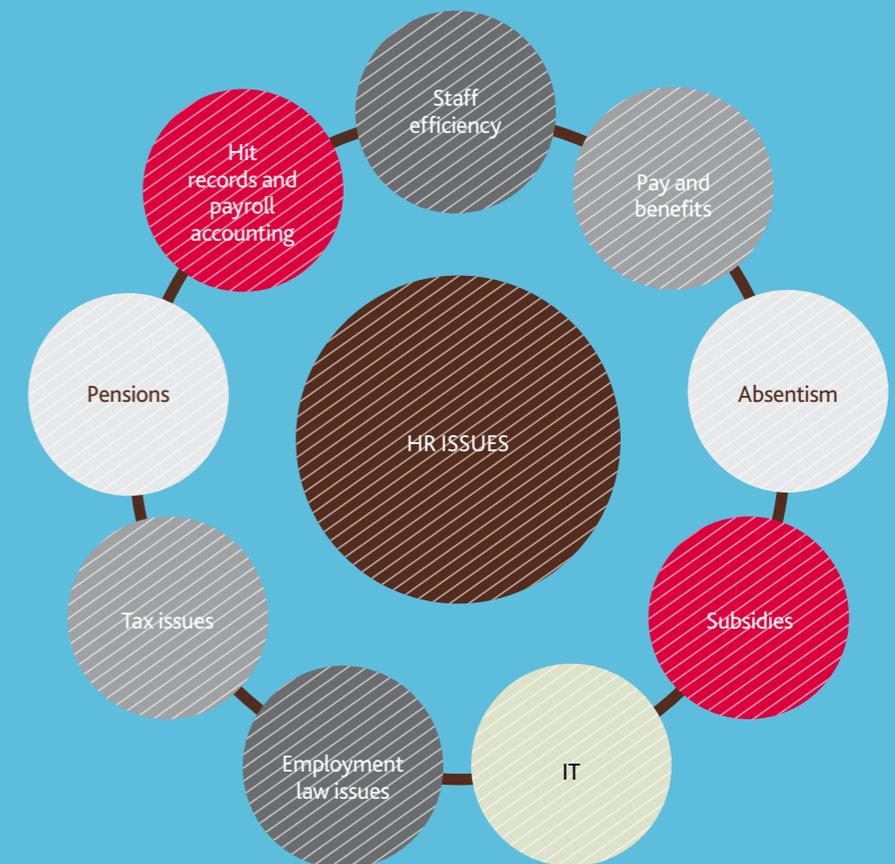
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Stephen Covey, renowned American educator, author and business

'It's tough to retain great workers if your company doesn't have a strategic plan'

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