

ECHR Conference Report Athens 4-5 October 2012
“ Sustainable HR Practices: the Way Forward ”

4 October
CEO & HR Panel

The 2-day EChr conference « Sustainable HR Practices: the way forward » jointly organized by EChr, S&B Industrial Minerals S.A. and Greek People Management Association started on the 4th of October with welcome addresses and a first panel discussion between CEOs and HR directors on their reciprocal relations and the alignment of the HR and CEO agenda.

Welcome addresses

Ulysses Kyriacopoulos, Chairman of S&B Industrial Minerals S.A, welcomes all participants and guest speakers and gives a brief overview of the current Greek economic situation (5 year recession). He states that a draft of the 2013 budget will be voted next week with a considerable expense cut that no OECD country has ever done before. Mr. Kyriacopoulos though underlines that the Greek fiscal adjustment is necessary in the current context. One of the main challenges for companies during the crisis is to keep employees engaged and motivated at their workplace, and one of the major objectives for S&B remains the sustainable growth of the company while living our corporate values fully.

Jean-Dominique Perret, Group SVP Human Resources of Rexel, reminds participants that the scope of the conference includes the review of HR practices during the crisis and innovative management solutions underlying a permanent and continuous transformation of HR management. In the current situation, companies should contribute to a profitable growth, set clear priorities in allocation of resources (financial, human, etc.), asset optimisation (finance, customer, employee), proceed towards a strategic workforce planning, reach excellence in terms of operation, develop a new corporate culture based on companies' transformation, personal responsibility and excellence. The European Club for Human Resources is an international non-profit association that brings together human resources directors from multinational companies, who are convinced that human resource development plays a key role in economic efficiency and companies' durability. Its aim is to develop an international vision of human resources management from a European viewpoint.

Martha Milona, President of Greek People Management Association, stresses that Greek companies should reduce their operative costs while at the same time, focusing on talent management initiatives and adopt an open, honest and continuous dialogue with employees for their performance and professional development

“CEO & HR Panel”

- **Leonardo Sforza**, Managing director of MSL Group, starts the discussion asking **CEOs of the panel about their short- and long-term top business priorities.**

Kriton Anavlavis, CEO of S&B Industrial Minerals S.A, explains that S&B as a company was established back in 1934 and is currently present 20 countries. At S&B, we want to keep growing by doing what we know well – developing industrial solutions by transforming natural resources into value creating products. S&B’s long-term strategy is focused on sustainable value growth. Towards this end we have identified the following strategic pillars:

- Value creation from our existing industrial solutions
- Diversification to increase our exposure to non-metallurgical segments
- Geographical expansion to developing countries

Only recently S&B put in place a new matrix organization, where regions and segments collaborate for the attainment of sustainable value growth through the execution of the three strategic pillars and with full commitment to our sustainability strategy

Dimitri Papalexopoulos, CEO of Titan Cement Co., explains that the building materials sector is experiencing 2 major changes – modification of activities cycle and shift of demand from developed countries to emerging markets. The main challenges for the company remain the addressing of structural issues, and sustainable growth. Titan Cement short-term priorities concern a maximization of flexibility and a generation of management options for human capital.

Francesco Penné, Director South-Eastern Europe of Air Liquide Hellas, responds that among the top priorities for his company are the reduction of risk of financial exposure and the restructuring of 2 under-performing entities. The future of the company in Greece is analyzed with a long-term perspective.

- Leonardo Sforza questions **HR directors about their top priorities.**

Anastasia Makarigaki, HR Director, Balkans, Greece, Cyprus, Israel of Pepsico, explains that Pepsico is experiencing a transformation of a global model towards a more decentralized one and it represents one of the main challenges for the HR function, responsible for a successful transformation. It is necessary to take into consideration different cultures and capabilities and create efficient synergies.

Aspa Pispá, HR Director, Greece, Cyprus & Adriatic MCO of Sanofi, points out that the pharmaceutical sector is facing a serious crisis, especially in Greece. Among top HR priorities she specifies “keeping employees morale high”, improvement of leadership, and definition of critical skills and shift of company’s culture towards a high performance.

Jean-Dominique Perret insists that the sustainable development is an important issue for the renewable energy sector. Challenges existing in Rexel are focused on increase of demand, merger and acquisition processes, address of new business and competency shifts.

- Leonardo Sforza wonders in **what way HR leaders can respect CEOs' top priorities?**

F. Penné assumes that HR directors can bring an in-depth knowledge of a local labor market, an ability to drive negotiations with trade unions and employees and a capacity to think “out of the box,” proposing new business approaches and models of conduct. It is essential for HRD to show respect towards the employees, not set up horizontal measures, as they should be adapted to different categories of employees, and one of the most important objectives consists in retaining talents for a long-term perspective.

D. Papalexopoulos defines 3 strategic priorities for the HR function:

1. To combine “hard” and “soft” approaches which means making difficult decisions, as for example closing a subsidiary, but at the same time respecting the employees' interests.
2. To be proactive in keeping peoples' issues on the agenda (trainings, job rotations, etc).
3. To provide a clear communication internally with a consistent and transparent message to all employees.

The most credible spokes-persons in the organization are regular employees (“people like you and me”) and middle-management. Mr. Papalexopoulos points out a decline in trust towards CEOs, government officials and financial sector actors.

- Mr. Sforza questions **whether HRD can acquire a capacity to challenge a decision taken by CEO or by board.**

Mrs. **Pispa** responds that HRD should be seen as a “strategic partner” to CEO and be present on the management board in order to have a possibility to influence the decision-making process in the company, though it requires a very good understanding of business activities.

S&B CEO insists on the fact that there can be discussions and exchange of views before the decision is taken, but once the decision has been taken it cannot be challenged or changed.

- Leonardo Sforza asks about **the cost of non-effective HR management.**

F. Penné gives an example of Air Liquide Greek subsidiary explaining that they have developed a lot of talents within the company, but in the current crisis period it is necessary to think about the career developments and export the talents towards other geographical destinations in order not to lose them.

For **Dimitri Papalexopoulos** the main ability of HR consists in keeping people in the company and motivating them at the work place.

Kriton Anavlavis shares the S&B experience of the internal reorganisation that took place one year ago upon his appointment as CEO. It consisted of a major strategic and managerial overhaul during which they challenged the way they do business from strategy and

assumptions to their operating model, functions and processes. The “Reform” process as it was called resulted in a reviewed purpose, vision and values as well as in a new organizational structure. He explains that the HR function in close cooperation with the CEO, set up the scheme of the reorganisation with very clear actions and deadlines that were communicated on a regular basis to all employees. This was a truly participative process which took place with the involvement of complimentary teams with members from different functions, nationalities and backgrounds without engaging any external consultant.

- **What can be the most useful contribution of CEOs to HR priorities? (L. Sforza)**

Mrs. Makarigaki expresses a concern about the risk of losing the trust of employees while integrating new businesses. Pepsico faced this problem and found a solution by creating a steering committee that consisted of a CEO and 15 employees coming from different branches who discussed jointly decisions and changes to be undertaken within the company.

Mrs. Pispá explains that Sanofi put in place a new performance recognition system that encourages employees to fulfill the goals set up by the company. This system was successfully integrated because the CEO supported it and encouraged its use.

Jean-Dominique Perret expresses the vision that “the CEO has to be an HR leader at the same time”. He believes that the CEO should be the 1st HR communicator, understand well the HR activities and be able to take risks on decisions regarding people management.

- Another question was asked regarding the **expectations of CEOs towards their HR directors.**

D. Papalexopoulos expects from HRD to “think out of the box,” to balance “what” and “how” while understanding perfectly the company’s business in order to take right decisions.

Mr. Anavlavís expects HR to focus on attracting and recruiting new generation employees and developing future talents. Moreover, HR needs to create a bonding strategy through coaching, 360 feedback, work-life balance initiatives etc.

Francesco Penné recognizes that HR directors should have an ability to show employees that their contribution to the company development is appreciated and recognized. He states that another challenge for HRD is to develop competent middle managers.

- Other way around, **what are the HRD expectations towards the CEOs?**

Anastasia Makarigaki insists on a structured communication from the CEO during difficult periods in the company, as well as recognition of employees’ work together with consideration of the career developments in different subsidiaries.

Aspa Pispá underlines that the CEO should accept feed-back from HRD on decisions and business development to come.

Jean-Dominique Perret prefers the CEO to not to be so focused on results and sometimes “just look around”.

A following debate takes place after the panel focusing on the issue of HRD presence at executive boards of companies and a shift of behaviours where CEO starts perceiving his HRD as a strategic partner.

5 October
Conference “Sustainable HR Practices: the Way Forward”

Welcome addresses

Kriton Anavlavis, CEO of S&B Industrial Minerals S.A., presents the company overview explaining that S&B counts around 2.000 employees and its turnover represented 456 million euros in 2011. Mr. Anavlavis explains that a decision to put in place a restructuring plan was conditioned by the business expansion towards Asia region and an objective to offer its customers innovative and sustainable business solutions. The matrix of restructuring was based on a double-dimension approach: definition of regions and of segments. The whole process was internally managed without any outside consulting and its success is largely due to the HR function, whose role was very instrumental.

The new S&B business model stands on a sustainability strategy based on a four pillar approach: **People, Health & Safety, Environment, Social Contribution**.

Jean-Pascal Arnaud, EChr Secretary General, insists on a definition of sustainability approach in business with a mid- and long-term perspective. Mr. Arnaud underlines that the macro-economical conditions directly influence business activities of the companies.

First Panel: EU Economic and Business context

Kostantinos Axarloglou, moderator of the session, opens the panel underlining that companies create added value, goods, jobs in the economy while managing different types of resources, but they are operating in an economic and political environment that can impact their activities.

Monika Ekström, Head of Political Reporting and Policy Analysis department in the European Commission Representation in Greece, gives a brief assessment of the current economic situation in Greece. Mrs. **Ekström** explicates that the Greek government submitted a draft budget for 2013 that contains the expenditure cuts no other EU Member state has ever seen. There is an urgent need for structural reforms in Greece, especially taking into account current liquidity constraints. One of the reasons remains in the 20-25% of non-performing bank portfolios.

M. Ekström declares that troika gave a positive review of the last progress report and it can be a first signal towards solution of the credit crunch problem and cause as a result more investments. She insists that the government should adopt the 2013 budget and follow the objectives of the 2nd economic adjustment programme, though recession will surely persist in 2013, but a slight slowdown can be possible. Mrs. Ekström supports the government in place explaining that coalition parties have a solid majority in the Parliament. She believes that Greek government should restore trust of citizens in its growth measures and convince the

public that the adjustment programme is necessary. The memorandum of understanding signed between the European Commission and Greece contains 3 types of measures:

1. Fiscal consolidation
2. Structural reforms
3. Financial sector reform

One of the main difficulties resides in the implementation of the reforms with an urgent necessity to explain to the population the proposed measures, for example the establishment of a land registry.

Janis Emmanouilidis, Senior Policy Analyst of European Policy Centre, claims that there are too many variables of the crisis. Nevertheless, the attitude has changed since the European Summit of June 2012, Member states' governments no longer question whether Greece should remain in the euro zone or not. From the outside perspective, current Greek government seems to be the best option and all Member states support it. In addition, Greeks have showed a strong commitment to stay in the euro zone. Need for hope becomes crucial, as there is no more possibility to ask for further budget cuts. As long as Greece stays in the euro zone, probably some investors will restore their confidence and will invest in Greek economy. Greek situation strongly depends on crisis developments in Spain and Italy, but also Germany plays a decisive role, though it is obvious that Berlin will not take any radical decisions before elections in 2013. The question to be asked: "what does Berlin want?"

Pierre Dhonte, former IMF representative to the European Union, defines the agreement with troika through 3 principal elements:

1. Major improvement of competitiveness
2. Need to establish a sustainable fiscal situation that requires 12% of GDP cut.
3. Internal financing on a large scale.

The euro-area Member States and the IMF committed the undisbursed amounts of the first programme (Greek Loan Facility) plus an additional €130 billion for the years 2012-14. The second programme foresees financial assistance of €164.5 billion until the end of 2014. Of this amount, the euro-area commitment amounts to €144.7 billion to be provided via the EFSF, while the IMF contributes €19.8 billion. According to Mr. Dhonte, the IMF proposition of fiscal consolidation is not the best solution, because Greece needs urgently a gain in competitiveness.

In conclusion, Mr. Dhonte underlines that business has a role to play in fighting almost 43% of youth unemployment and questions what structural changes can be imposed. Another question is what role Germany will play in this critical situation.

Harry Kyriazis, Executive Vice-Chairman of Hellenic Federation of Enterprises, reminds us that Greece is experiencing an unemployment rate of 24% and youth unemployment represents 43%. He insists that companies need some time to adapt to the new labor legislation implemented in response to troika negotiations and understand its flexibility (12 legislative changes were made to the labor law). Mr. Kyriazis explains that Human Resources Directors are the first in the companies who have to adapt to legislative changes that propose more flexibility in industrial relations. New cultural shift in scope of the jobs becomes evident: away from national sectoral agreements to corporate agreements. At the same time big multinational companies should share their experience with SME. **Harry Kyriazis** recognizes that the Greek state should be reformed and understand the importance of labour law for business in the country. Meanwhile the trade unions should gain in force and be more active in negotiating working agreements. Moreover, employers should digest the labour law changes and understand the new legislative framework.

During the Q&A session, **Janis Emmanouilidis** explains that on June 2012 the Member states decided about deeper integration of the Economic and Monetary Union through banking union with supervisory authority (ECB), though the question is how many banks should be covered by the supervision, as well as the way to link European supervisory authority and national ones. He thinks that this process will take some time, especially taking into account the Member states' reluctance and restricted EU legitimacy to act in this field. Another sensitive issue concerns possible treaty change in order to legitimate the new system. Measures proposed in fiscal compact¹, six-pack regulation², etc. create new legal order in the EU.

Harry Kyriazis underlines that reinforced banking, financial and economic union is beneficial for Greece today.

Second Panel: HR International Practices Focus

Alexandra Eleftheriou, Talent & Organization Consulting Leader from Aon Hewitt, presented the findings of the 7th European HR Barometer.³

Eva Valavani, Group HR Manager of S&B Industrial Minerals S.A., initiated her presentation by explaining the sustainability strategy of S&B which is based on a 4 pillar approach:

1. People
2. Health & safety
3. Social contribution
4. Environment

With regard to the people pillar the ultimate goal for S&B is to become a Great Place to work in our sector.

S&B strives for employee & organizational development in order to attain sustainable organizational excellence.

✓ Employee development in S&B consists of 3 major elements:

- 1) Managing performance: an integrated performance management system is in place which has been recently reviewed in order to be realigned with the revamped vision, strategy and corporate values as well as with the latest market trends. Emphasis has been given on the involvement of the Appraisee through a self-assessment process, on the provision of continuous feedback as well as on a reviewed competency framework. The PM system has been reviewed through a participative process which consisted of an Internal Survey and several workshops with full commitment of the CEO and his team.

¹ The Fiscal Compact (formally, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union) aims at strengthening fiscal discipline and introducing stricter surveillance within the euro area, in particular by establishing a "balanced budget rule".

² On 13th December 2011, the reinforced Stability and Growth Pact (SGP) entered into force with a new set of rules for economic and fiscal surveillance. These new measures, the so-called "Six-Pack", are made of five regulations and one directive proposed by the European Commission and approved by all 27 Member States and the European Parliament. This change represents the most comprehensive reinforcement of economic governance in the EU and the euro area since the launch of the Economic Monetary Union almost 20 years ago.

³ To receive a copy, please contact EChr (info@europeanclub-hr.eu).

2) Managing talent:

- Identification of talents based on specific criteria : mobility, level advancement, assessment of competencies in order to boost our talent pipeline
- Managing through the Performance/Potential matrix with specific developmental actions for the different employee pools
- Retaining talents

3) Developing our People: S&B uses a blended approach when it comes to Learning & Development with 70% of learning coming from on the job experiences (challenging assignments, projects etc.), 20% from feedback, coaching, mentoring and 10% from classroom training

Mrs. Valavani gave an example of the S&B mentoring programme that has been in place for 5 years and has received very positive feedback from both Mentors and Mentees.

- ✓ When it comes to organizational development, change is in the center of the S&B strategy. Over the years S&B has developed a concrete transformation process:
- Diagnosing the need for change (structural diagnosis, internal survey);
 - Leading and managing change (exploration of the landscape, transparent communication, complimentary team work);
 - Reinforcing change (training/coaching, workshops, system alignment)
 - Evaluating change (employee feed-back through surveys and interviews).

François Abrial, VP Group HR of Air Liquide, presents the group specialisation in industrial gases that employs around 47.000 people worldwide with annual turnover 14 billion euros. For Mr. Abrial sustainability in the company is directly linked to lasting financial performance.

Current trends in HR practices today:

- The world is open today and a company can find best talents in emerging countries;
- The Y generation is coming (for example by 2015 40% of Air Liquide employees will be below 35 years, thought at the same time senior employees retire later nowadays).

F. Abrial portrays sustainable HR practices in the current environment for Air Liquide:

- Recruitment of around 2.000 people per year in China
- Talent war (for example majority of engineers today are recruited by banks)
- Scarcity of technical competencies

As a result, the major problem for multinational companies today remains in talent acquisition, retention and development:

1. Talent acquisition:

- Maintenance of minimal recruitment (necessity to recruit talents for the future, even though it requires the reduction of other employee staff);
- Compromise (HRD should hire only the best talents);
- Diversity (nationality, male/female, professional background).

Among the tools for talent acquisition, Mr. Abrial mentions web portals, selection according to personal characteristics and acceleration of decision process.

2. Talent retention:

- There is no common strategy to retain talents in the company, it depends on cultural specificities;
- Advanced Key performance indicators(KPI);

- Career interviews (need for a sufficient vision of future career developments, for example 55% of resignation occur before 3rd year in the company).
- 3. Talent development:
 - ✧ Brings the highest return in investment for HR (necessity to separate social relations with trade unions from HR talent management function);
 - ✧ Outstanding new generation that is ready to move and change working environment;
 - ✧ Whole world becomes the play field.

There is an important shift in employees' psychology today. Young people don't expect their manager to be a boss, but a coach. The role of middle management evaluates and consists today in giving value to information. It is important for HR to think "out of the box" and adapt to new fields and evolving competencies. Major priorities for Air Liquide remain in long-term choice of talents, transparent and clear communication with employees and development of the company culture.

Third Panel: Innovative HR Practices in Greece during the crisis

Angeliki Christofidou, Country HR Director of Citi Greece, presents Citi global satisfaction survey "Voice of employee" as a tool to measure and ameliorate employees' engagement. The scope of the survey targeted all employees. "Voice of employee" ambassadors presented the action plan of survey to management and then followed up and monitored the process. The main challenge while launching the survey was to deliver a concrete action plan. After the action plan was finalized, the main objectives aimed at growth and development of knowledge, reward and recognition practices, innovation among employees. The results of the survey showed the increase of employee satisfaction from 65% to 68% in 2011 and the positive point reveals the increase of participating employees.

Yiannis Koutrakis, HR Manager, Greece-Cyprus of IBM Hellas, introduces HR programme "Global IBMer" that has as an objective to shift company talents from major markets to growing markets in order to face current challenges, such as cultivation of creative leaders, mobilization and capitalization on collective intelligence.

Barbara Panagopoulou, HR Director of Athenian Brewery S.A., enumerates the companies internal HR practices to support employees' engagement: a bottom-up platform to share opinions and questions, an optimization of commercial structure, an in-house capability development, an e-learning academy for workers.

Natassa Spyrou, Group HR Director of Furlis, comes from a retailing company present in 5 countries with 3.500 employees. The main HR objective remains talent management and building the necessary competencies for the company. Furlis achieves this aim through an internal grading system that includes training, competencies evaluation and payment structure ("Career paths"), a succession planning and talent academy.

Katerina Tzicha HR Director of Grande Bretagne Hotel, describes its HR strategy for a recruitment process together with Grande Bretagne Talent Development Academy.

Conclusions

Jean-Pascal Arnaud and Martha Milona concluded the sessions, summarizing the main findings and important statements that were made during this 2-day event.

“This global context of crisis requires from all actors a strong commitment towards Respect, Confidence and Trust, an ability for changing and innovating, a clear relation between the “WHAT” and the “HOW” linked to the values and the culture of each entity. Greece can invent and propose a new model of most advanced solutions, Europe can learn from.”