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MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN



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SERIES

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Building a leadership pipeline Strategies and actions to help accelerate leadership skill development

Brenda Wilson, Mercer, Hong Kong
Wolfgang Lirk, Knorr-Bremse, Asia Pacific

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Topics for discussion

1. Asia's leadership imperative: building tomorrow's leaders today

2. Building a leadership infrastructure to groom talent

3. The Knorr-Bremse Way: building talent from within



Section 1

Asia's leadership imperative: build tomorrow's leaders today

Executive talent management is at the top of the CEO and HR agenda

From the desk of the CEO

- “Finding and developing top talent is a key priority for me... We are short on the quantity and quality of leaders we need.”
- “We have work to do to have a true high-performance culture.”
- “Our ability to compete will require a different business model – and a dramatically different set of leadership expectations than those that got us to this point.”
- Our growth plan is at risk, I look down our bench and see that I don't have the right players to play the key positions.”
- “I'm under board pressure to better define our succession plan for our key roles.”

Executive talent management is at the top of the CEO and HR agenda (cont'd)

From the desk of the HR leader

- “We’ve been doing some good things but we need to turn up the volume on talent management.”
- “I want a rigorous succession process that will be also be embraced globally by senior leaders.”
- “I need better insight and clarity about our bench strength and pipelines so we can make data-driven decisions.”
- “Our challenge is to do a better job of identifying people early in their career who have the potential to lead here.”
- “We must speed up the development of the leaders who have the right stuff to fill our mission-critical roles.”

Executive talent management is at the top of the CEO and HR agenda (cont'd)

... the right leaders in
place today

... the right future leaders
in the pipeline

Executive talent management is a critical business issue

Key learnings from our work with Global 1000 companies

- Shortage of the 'right' leadership talent is a **significant risk** to successful business strategy execution and growth
- Getting the right executive talent in place to deliver results is high on the personal **agendas of most CEOs**
- **Boards** are paying more attention to their accountability for executive succession and performance management and are asking tough questions about business continuity
- Companies that are growth leaders focus first on **building talent from within** and going external only when they need someone to change the game or shift paradigms
- Leading companies today take a **systematic approach** to implementing an executive talent strategy
 - Driven by the business imperatives, tied to the CEO agenda, based on rate data

Is your organization grooming leadership talent?

Mercer's work has found seven factors for successfully developing talent

True	False	Key questions
		We have the commitment of the CEO and executive team ...through words, actions, and investments, driven by a compelling business case
		We have articulated a leadership and talent management strategy ...clarifying accountability for what is enterprise - wide and what is local
		We use competencies as a strong foundation for all talent programs ...providing a shared language globally while recognizing local nuances
		We have a focus on 'mission critical' positions ...allocating and investing in those resources driving growth and defining the talent needed to win
		We effectively manage the leadership pipeline ...greater emphasis on development all through the pipeline and not just at the top
		We have a focus on differentiation ...supporting performance and rewards and facilitating (through sustained high performance) identification of high potential
		We have the right metrics to track effectiveness ...and refinement as needed

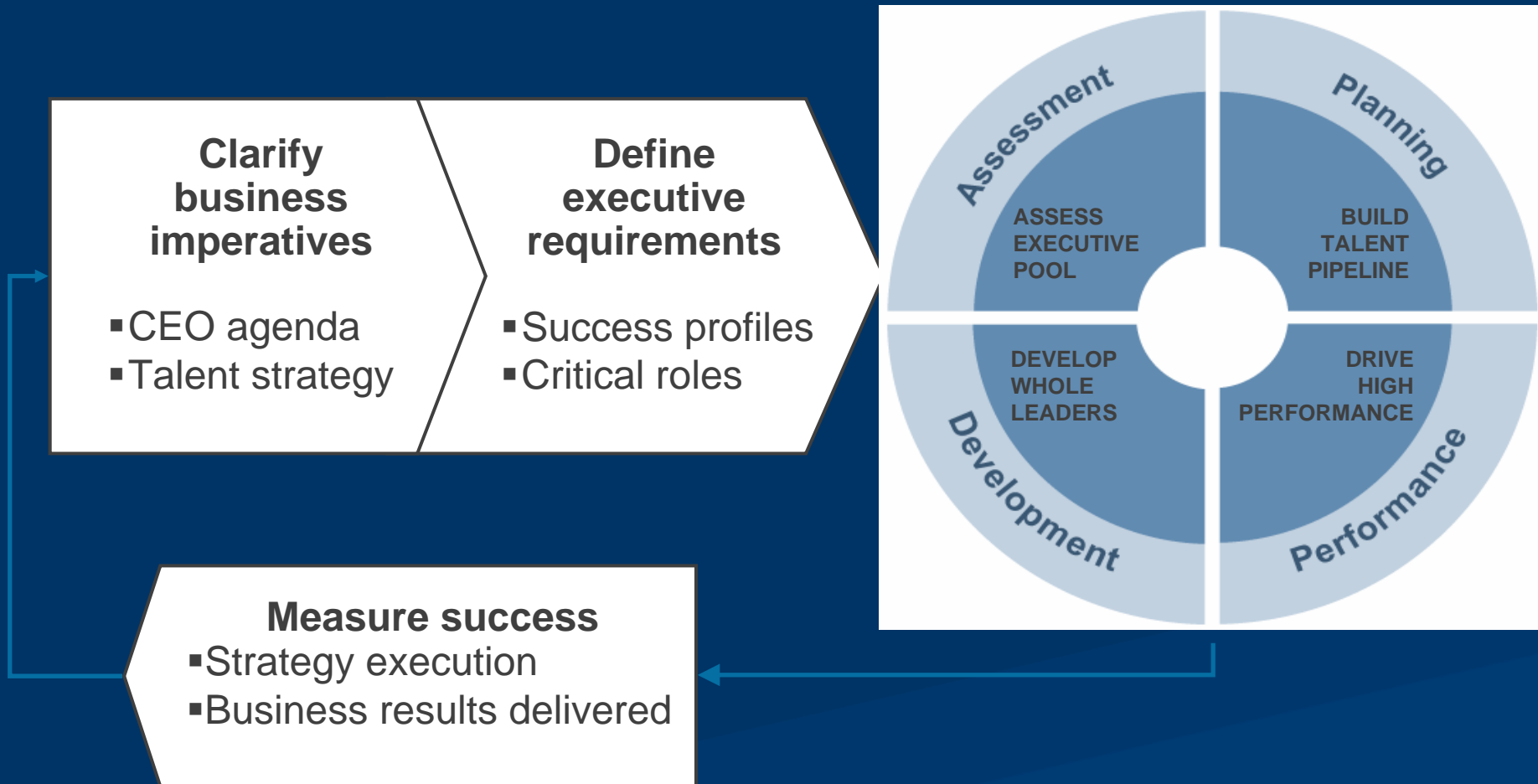


Section 2

Building the leadership infrastructure to groom talent from within

A model for enhancing executive talent management

Mercer's systematic approach ensures that requirements, processes and solutions are tightly linked to business imperatives





A model for enhancing executive talent management

Mercer's systematic approach ensures that requirements, processes and solutions are tightly linked to business imperatives

Element	Definition	Tools
Clarify and define	<p>Aligning to business requirements and defining your leadership strategy</p> <p>A leadership strategy includes the organization's philosophy and tactics around the definition of required leadership competencies, the process for identifying future leaders, assessment methods, and development strategies</p> <p>Defining your unique leadership success profile</p> <p>An agreed definition of the required leadership requirements (capabilities, behaviors, attitudes, and values) that leaders must exhibit in order to be successful within the organization</p>	<ul style="list-style-type: none"> ▪ Executive talent management audits ▪ Business driver analysis ▪ Leadership team alignment ▪ Role profiles ▪ Competency models ▪ Critical role definition ▪ Benchmarking
Assessment 	<p>Assessing the current and future pipeline of leadership talent</p> <p>Using the new leadership success profile as a foundation, identifying and conducting multi-source leadership assessments is the next step in executing against the leadership strategy</p>	<ul style="list-style-type: none"> ▪ Assessment centers ▪ Expert interviews ▪ Multi-source (360) surveys ▪ Psychometric instruments ▪ Customized simulations ▪ Leadership pipeline audits ▪ Critical talent inventories


A model for enhancing executive talent management

Mercer's systematic approach ensures that requirements, processes and solutions are tightly linked to business imperatives

Element	Definition	Tools
Planning 	Determining the quantity, quality, and cost, and location of who you have and what you need	Supply <ul style="list-style-type: none"> Talent profiling Talent pool segmentation Talent tracking Separation/loss assessment Demand <ul style="list-style-type: none"> Job profiling Job segmentation Job/family succession planning Business continuity/risk assessment
Performance management 	Ensuring the performance management system is reinforcing and rewarding the right performance and behavior	<ul style="list-style-type: none"> Performance management systems Pay-for-performance systems Relative contribution and calibration

A model for enhancing executive talent management

Mercer's systematic approach ensures that requirements, processes and solutions are tightly linked to business imperatives

Element	Definition	Tools
Development 	Building and implementing a systematic development process	<ul style="list-style-type: none">▪ Executive education▪ Coaching▪ Action learning▪ On-boarding & transition support▪ Career pathing
Track and measure results	Identifying key metrics for measuring progress and widely communicating effectiveness along the way	<ul style="list-style-type: none">▪ Impact analysis▪ Dashboards▪ Validation studies



Section 3

The Knorr-Bremse Way: building talent from within



KNORR-BREMSE

Knorr-Bremse (KB): who we are

Systems for commercial vehicles



Systems for rail vehicles



Knorr-Bremse is the world's leading manufacturer of braking systems for rail and commercial vehicles. As an innovative developer of advanced electronic and pneumatic systems, Knorr-Bremse supplies virtually all leading vehicle and rail manufacturers around the globe. The company also produces on-board systems for rail vehicles

- | | | | |
|---------------------------|--|--------------------|-------------------|
| ▪ Founded | 1905 | ▪ Employees | > 14,000* |
| ▪ Experience | 100 years of Innovation | ▪ Sales | EUR 3.25 billion* |
| ▪ Independence | Family owned | ▪ R&D | 4.9 % of sales* |
| ▪ Locations | More than 60 locations in 25 countries | | |
| ▪ 2 main divisions | Brake systems for commercial vehicles | | |
| | Brake systems + on-board systems for rail vehicles | | |

* Year End 2007

More than 2,000 employees in Asia Pacific, with the majority in China



KB leadership development initiative in the region

Objectives

Current state

- Rapidly growing operation in Asia/Australia requiring significant growth in headcount
- Higher than desired turnover of leadership and management talent
- Capability of leadership and managers perceived to be not at the level required to support future business growth
- Given multi-cultural locations, better leadership + teamwork needed in multiple locations

Desired state

- Develop the leadership and management capability of current and future leaders in the region
- Improve the ability of managers and leaders to effectively collaborate
- Identify and develop a healthy pipeline of future leaders
- Create a learning culture where employees feel KB is investing in their development
- Retain current and future leaders

The KB leadership roadmap

Stage I

DIAGNOSE
and design

Stage II

EXECUTE
on plans

Stage III

BUILD
capability

As we began to consider our leadership development needs, we considered five fundamental steps to help build our internal leadership pipeline

Step 1: Aligning and defining our leadership strategy

Step 2: Defining our unique leadership success profile

Step 3: Assessing current and future pipeline of leadership talent

Step 4: Building and implementing a systematic development process

Step 5: Measuring progress along the way

Our leadership success profile for the Asia-Pacific region

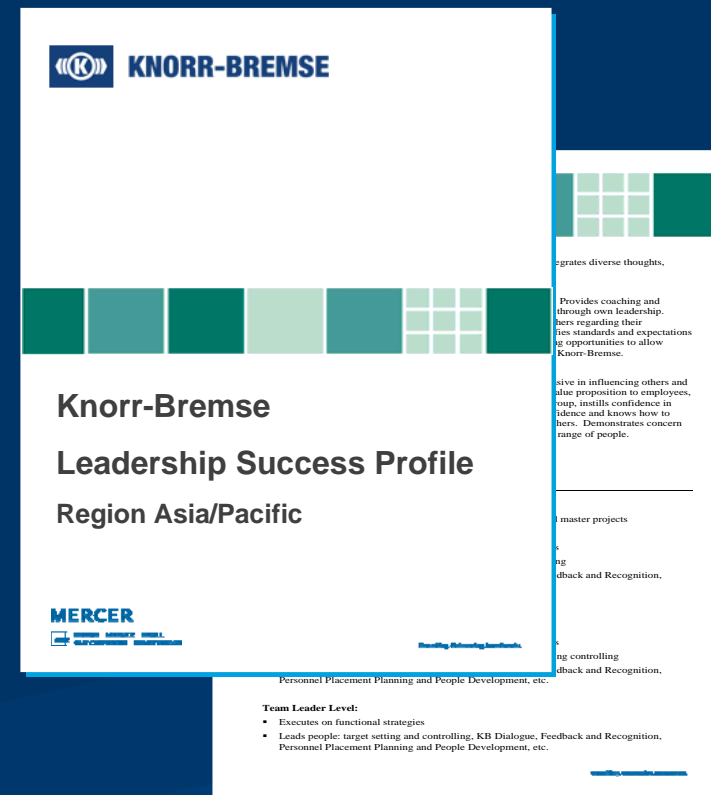
Overview

Purpose

- Designed to define and communicate the critical requirements for success as a leader at KB in Asia Pacific
- Serves as a source of competitive advantage for KB, explaining how your leaders are expected to deliver your business strategy
- Focuses on the critical drivers of business success
- Serves as the basis for all development activities (including development centers and leadership development programs)

Leadership success profile includes:

- Behaviors
- Responsibilities
- Metrics of success
- Professional competencies by management level



Knorr-Bremse leadership competencies

Behaviors

Focus on business	Focus on self	Focus on people
1. Visionary leadership	6. Technical excellence	12. Driving performance and results
2. Strategic thinking	7. Financial acumen	13. Teamwork and collaboration
3. Customer and market intimacy	8. Personal credibility and impact	14. Building a talented workforce
4. Commitment to execution	9. Entrepreneurial skills	15. Coaching/mentoring
5. Business excellence	10. Acts with autonomy	
	11. Flexibility	

Leadership initiative within the 'Asia Pacific Learning Center'

Key elements

	1	2	3	4
Objective	<p>Communication</p> <p>Raise awareness of KB's investment in employee learning and development</p> <p>Educate stakeholders</p>	<p>Development centers</p> <p>Determine the strengths and development requirements of future leaders of the business</p>	<p>Teambuilding workshops</p> <p>Encourage enhanced teamwork and collaboration in business critical operations</p>	<p>Leadership development series</p> <p>Build the skills and capabilities required to effectively lead and manage the business</p>
Target	All leaders and employees; some messages will be targeted towards participants of initiatives only	50 planned successors, high-potential talent	Select locations	80 current and future leaders and managers throughout Asia/Australia operations
Location	Region wide	China; Hong Kong	China: GZ, SZ, QD	China; Hong Kong; India; Japan
Forum	Various media	2 x 2 day DC (2008); 2009 2 x 2 days Focus on critical behaviours	2-day team building sessions Follow up with individual coaching as required	3 x 3 day learning sessions Focus on foundational leadership skills and behaviours
Timing	2008-2009	2008-2009	2008	2008-2009

KB development centers in Asia Pacific

Purpose and objectives

- Assess and develop the critical leadership skills and requirements of the business strategy
- Identify high-potential leadership talent and address individual and organizational development needs
- Ensure a readily accessible pool of qualified leadership talent to replace senior leaders as needed
- Engage and retain valuable current and future leaders
- Be simple to administer and 'transparent' to key stakeholders

Development center activities

- Structured behavioral interview
- Case study
- Group simulation exercise
- In-basket exercise
- Role play
- Psychometric instruments (e.g. leadership style inventory, FIRO-B, CPI, 16PF, cognitive inventories)

Development center design timeline



Running the center:

Day 0	Day 1	Day 2
<ul style="list-style-type: none"> • Briefing about the development center <ul style="list-style-type: none"> - Explaining the purpose behind the centers - Explaining center schedule and related logistics - Answering queries and clearing doubts - Introducing the assessors and the participants to each other - Dinner & activity 	<ul style="list-style-type: none"> • 9:15 to 6:00 – Center administration <ul style="list-style-type: none"> - Center-related exercises <ul style="list-style-type: none"> • Written • Oral • Action oriented 	<ul style="list-style-type: none"> • 9:30 to 2:00 – Additional activities • 2:00 to 3:00 – One-on-one immediate feedback • 3:00 to 5:00 – Assessor integration session

Leadership team building

By location

Day one: Understanding our team

- Cultural awareness: provide the opportunity to appreciate the similarities between participants, and how to effectively manage the differences
- Awareness of self: knowledge of own views on things and how they impact how they work with others
- Awareness of others: determine own team work preferences and those of others
- Fundamentals of effective cross cultural team work
- Build networks and have some fun

Day two: Making it happen

- Common ground: defining a common framework within which they will work in future
- Overcoming our obstacles: how can we overcome these collectively
- Committing as a team: gaining buy in from all of what needs to happen in order to work more effectively as a team moving forward
- Build networks and have some fun

Cultural awareness: what makes us unique

Space	Private space respected/guarded	↔	Private space accessible
Use of Time	Activities in sequence	↔	Activities overlap
Time Spans	Future oriented	↔	Past oriented
Fate	Self determination	↔	Fatalism
Rules	Respects rules	↔	Interpret rules (situational)
Power	Low power distance	↔	High power distance (Accepts Hierarchy)
Responsibility	Self directed	↔	Other directed
Group Membership	Individualist	↔	Collective
Tasks	Task oriented	↔	Relationship oriented
Communication	Direct communication	↔	Indirect communication
Conflict	Resolve conflict	↔	Avoid conflict
Problem Solving	Solve problems based on logic	↔	Solve problems in impulsive, value based way

Building our future: our commitments to each other



Leadership development series in the region

Core modules

Module 1 (3 days)

- Executive's perspective
- The leadership pipeline
- The role of manager
- Setting objectives
- Getting the right people in right job
- Self assessment against KB success profile
- Emotional intelligence quotient: assessment

Module 2 (3 days)

- Decision making
- Coaching skills and practice
- Coaching process
- Enhancing performance through feedback
- Delegation

Module 3 (3 days)

- Influencing and motivation
- Leading transitions
- Enhancing lateral leadership
- Team building
- Personal development

Learning style: Experiential with simulation to apply learning to case

Lessons learned ...

Recommendations

- Limited management and leadership resources in the market, therefore BUILD vs. BUY your own talent pool
- Develop your company + market specific leadership success profile for the region
- Involve your line management in the development and communication of your leadership development program and have them take ownership
- Use successful managers as role models in the program
- Retention vehicle: design your leadership development program for two to four years
- Link your recognition and reward systems to your development program
- Promote and maintain your development process to become a company-wide standard, e.g. as part of your performance management process
- Provide learning opportunities and chances to gain experience

A blurred background image showing three people in professional attire. In the center, a woman with long dark hair is smiling and looking towards the left. To her left, a man in a dark suit and red tie is partially visible. To her right, another woman is partially visible, also in professional attire. The background is out of focus, showing what appears to be an office or meeting room with large windows and greenery outside.

Questions?

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MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN