



Board Europe

A newsletter for members of *The Conference Board in Europe*

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Supporting European Industry

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Airbus 380 – Airbus Industrie was host to the European Council on Research, Development and Innovation when it met in Toulouse in May.

The Conference Board's European network brings together executives from a wide range of industries and over 20 countries who exchange their experiences at Councils and Conferences and contribute their knowledge to our management research. In this issue of *Board Europe*, we look at how this sharing of expertise supports the different industries our members represent, as they debate such questions as:

- How R&D can work towards more customer-focused products
- Why Human Capital can be a strategic asset for European industry, even when times are tough
- Carrying out a de-merger for the benefit of both sides
- How strategies to ease work-life tensions can attract and retain key talent and boost competitiveness
- Making huge financial savings through strategic sourcing and leveraged procurement
- Presenting industry's case effectively to the European Commission and Parliament.

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Council News

Research, Development and Innovation



1 Dennis Liebman (left), Director of Technology; Nuon (Council Vice Chairman), and Dr. Ing. Joachim Szodruch, Vice President, Research and Technology; Airbus.

Taking on the major aircraft manufacturers 30 years ago required more than nerve. It entailed a new approach to the market. The pioneers who started Airbus were convinced that, because no single European manufacturer had the resources to overcome the US giants, cooperation was needed in order to beat a common rival. The Airbus consortium that was born is a model of efficiency and innovation, crossing national divides, sharing development costs, and collaborating effectively in the interest of greater market share.

Airbus Industrie was host to the **European Council on Research, Development and Innovation** which met in Toulouse on 16-17 May. Members were welcomed by Dr Dennis Liebman, Director of Technology, Nuon (Council Vice Chairman) and Dr. Ing. Joachim Szodruch, Vice President, Research and Technology, Airbus. Council members toured the Airbus 330/340 assembly line, and heard the company's views on subcontracting, partnership and consortium arrangements from Michael Poss, Vice President, Strategic Planning. Wolf-Dieter Wissel, Director of Configuration Integration A380 Program, spoke about the preparations for the A380 superjumbo. This will be the world's

only twin deck, four aisle airliner, seating 550 passengers, and will enter service in 2006.

How consumer trends affect R&D was the main theme of the Council's discussions. Three speakers told how customer focus is driving technological improvements to products.

- Dr Joop de Vries from Sinus SocioVision and Dr Huha Ulä-Jääski, Head of Strategic Planning, Nokia Research Centre, said that changes in mobile phone technology followed a holistic view of the consumer within the different segments of person-to-person communication, transaction services, business services and infotainment.
- Dr Chris Van de Sande described the success of Agfa-Gevaert's transition from analog to digital systems and talked about the measures taken, both structurally and technically to adapt the R&D function to the new environment.
- Dr Henning Wittmeyer of SKF, the leader in rolling bearings, told how the company is enhancing its products and services with electronics.

Finally, Dr Tuome Suntola of Fortum spoke about near future challenges for the energy industry and sustainable development, given the prospect of global warming and climate change. ●

Financial Executives

Norsk Hydro was host to the **European Council of Financial Executives** which met in Bergen, Norway on 23-24 May. Leiv L. Nergaard, Council Vice Chairman, and President, Norsk Hydro Deutschland, welcomed the group, and John O. Ottestad, Executive Vice President & Chief Financial Officer, Norsk Hydro ASA, gave a presentation on the Norsk Hydro organisation and its value-based management system. He described the Norsk Hydro focus on improvement in shareholder value through portfolio, performance and people management.



2 John Ove Ottestad (left) Executive Vice president and Chief Financial Officer, Norsk Hydro and Leiv Nergaard, Council Vice Chairman, and President, Norsk Hydro Deutschland GmbH.

A de-merger viewed from both sides

The de-merger of Novozymes A/S from Novo Nordisk was presented from the viewpoints of both companies. John Ove Ottestad, Executive Vice President and Chief Financial Officer, Norsk Hydro, said that the prime learning points of the project were: manage the process hard and thoroughly, ensure high performance standards in the project management, work actively with risk management, and use aggressive incentives to drive the project. Evaluation of the de-merger showed that shareholder value was created, employee

Corporate Communications

satisfaction grew, and the project was completed on time and on budget.

Per Mansson, Chief Financial Officer, Novozymes, then recounted the experience of the de-merger from his company's viewpoint. He described the "war for talent" that the de-merger 'threat' had on the smaller and more vulnerable company, and the transformation from a company in the shadow of Novo Nordisk, to a successful company with its own identity. He concluded that the de-merger had been perfectly executed. Relationships with Novo Nordisk are good with outsourced service activities, strong family ties, and pragmatic problem solution, although over time the companies will become more distinct as Novozymes continues to search for its own identity. ●

Brussels, home to the European institutions and to NATO, was the venue for the newly re-named **European Council on Corporate Communications** for its meeting on 23-24 May, so it was fitting that public affairs issues should feature on the agenda. Opening speaker Hanns Glatz, Delegate of the Board of Management, DaimlerChrysler, presented a case study of how the automotive industry is dealing with the European Commission and Parliament over the new block exemption regulation for motor vehicle distribution. He described the difficulties of presenting the industry viewpoint to DG Competition, seen as the consumer's champion, and to the press, though dialogue with the European Parliament has been more productive.

sources. Also, make sure that journalists have access to CEOs or members of the senior management for a statement." Jamie Shea stressed the need to be honest and admit mistakes early, rather than say nothing, as the truth will be discovered sooner or later. During the Kosovo crisis, he said, it had been wrong, in retrospect, to emphasise so early in the campaign the pinpoint accuracy of the Alliance's missiles, when one later mistakenly hit a civilian convoy.

Volvo is a company that has undergone a lot of structural changes in the last few years. Stefan Lorentzson, Group Vice President, Communication & Brand Management, AB Volvo, told how the communications function within the company is changing perceptions of Volvo as simply a truck manufacturer to a multi-brand organisation focusing on total transport solutions. Communication activities are directed at specific target groups, (media, capital market, customers/dealers, employees and politicians/authorities) and are based on four key building blocks:

1. Future expectations and aspirations
2. Shareholder value
3. Brands
4. Company culture.

Corporate citizenship or corporate social responsibility is becoming increasingly important to European companies in this era of globalisation, when "big business" is frequently under attack from NGOs and pressure groups. David Vidal, Director of Research, Global Corporate Citizenship, The Conference Board, said that corporate citizenship in the 21st century must :

- Demonstrate commitment to society's values
- Insulate society from the negative effects of operations, products and services
- Share benefits with stakeholders and shareholders
- Actively demonstrate: "Do well by doing good". ●

"A bored journalist is a dangerous journalist"



3 Jamie Shea, Director of Information and Press at NATO Headquarters



4 Hanns Glatz, Delegate of the Board of Management, DaimlerChrysler

"A bored journalist is a dangerous journalist" warned Jamie Shea, Director of Information and Press at NATO Headquarters, who became a household name during the Kosovo crisis. The media, he said, is organised around crises, and, in these days of instant communications around the globe, journalists expect constant briefings on the latest developments. All too often, companies are ill-prepared for this round-the clock attention in times of crisis. "You have to keep the media busy with your topics and your pictures, or they will find them from different and non-identified

Work-Life and Diversity



5 Members of the European Council on Work-Life and Diversity met in London on 23-24 May and were hosted by British American Tobacco.



6 Rhodora Palomara-Fresnedi, Vice President, Management Development, Unilever, demonstrates one practical way to ease work-life tensions: "rocket" meals with fresh ingredients for busy executives to take home and prepare in just ten minutes.

British American Tobacco (BAT) hosted the **European Council on Work-Life and Diversity** when it met in London on 23-24 May. BAT is the world's second largest tobacco group, with 80,000 employees spread over 180 regional markets. Helen Lea, the company's Head of Organisational Development-Culture, listed five compelling reasons for diversity, backed up by quotes from male BAT managers:

1. Strengthened consumer insight
"30% of our consumers are women – are we able to identify and meet their needs?"
2. Improved corporate reputation
"Feminisation of the business would help us to become a more responsible organisation and to communicate as one."
3. A more balanced culture
"Women bring a different style to management and a different perspective. We are often missing that."
4. Greater success in the war for talent
"The next decade will be a contest for the best ideas and people – the more restricted the pool, the more difficult life will be for us."
5. Improved competitive edge
"Strength from diversity means getting the best competitive advantage from women and the multi-cultural mix of our employees."

As this Council meeting took place in the United Kingdom, it was interesting for the group to hear about the context of work-life and diversity in the UK from Deirdre Golden, Head of Equal Opportunities Practice, Organisation Resources Counsellors. She named the four "big ticket" workplace issues as work-life balance, race, the gender pay gap and women's employment, and outlined some of the measures the government is taking to address these concerns.

The social impact of a steadily ageing population was underlined both by Deirdre Golden and by Freda Line, Development Manager, Employers Forum on Age (EFA). Freda pointed out that, by 2025, for every two people employed, there is likely to be one person older than 50 who is either retired or inactive. The EU is currently looking at ways to deal with the effect this will have on Europe's productivity. ●



7 Lively discussion in working groups. From left to right: Myrtha Casanova, President, European Institute for Managing Diversity; Carole Palmer, Director, European Strategy and Programmes, Xerox Europe; Elizabeth Harper, Senior Diversity Consultant, Shell International; Laurence Collins, Manager, Ceridian Performance Partners; Benedicte Bank, Strategic Reporting Manager, Kraft Foods Deutschland.

IBM Transforms Greenock Supply Chain

By the end of 2002, IBM expects its personal computer plant at Greenock in Scotland to deliver more than 90% of its orders on the date requested by its customers. This level of performance will place the facility among the industry's best, yet only six years ago it was one of the worst in terms of reliability delivering just over half of its orders on the customer requested date.

"At that time IBM's PC business was losing its shirt to the competition," said Robin Gordon, Principal of IBM's B2B Services, North Region. "It was only able to schedule 40% of customer orders coming into Greenock with the result that it lost the other 60% to alternative suppliers." Robin was speaking to members of the **Global Council on Supply Chain and Logistics** prior to a tour of the Greenock site on 23 May.

Transforming the Greenock site, which supplies Europe, Middle East and Africa with PCs, Think Pads and servers, involved sweeping changes to the supply chain. Among the most important were the reengi-

neering of procurement into a global rather than a local organisation allowing IBM to capitalise on the scale of its operations, the outsourcing of much of manufacturing to the supply base, and the re-siting of the supply base to within easy reach of Greenock.

Many of these changes were dictated by IBM's global business re-think which had started in 1994 after the company announced an \$8 billion loss. Procurement was an early and obvious target for reorganisation, being a disrespected department by both employees and suppliers.

IBM started to develop its own new electronic systems to support procurement of both direct and indirect goods and services. In 2001, to ease system access, IBM introduced a global procurement portal to which suppliers and buyers can log on and select the service they require. Today about 98% of all procurement transactions are carried out electronically.

By introducing strategic sourcing and leveraged procurement, IBM estimates that it has saved several billion dollars. Adding e-procure-

ment has saved a further \$300-400 million. "In our opinion, e-procurement is the catalyst for the business process reengineering work," said Robin Gordon. "It is crucial for sustaining the reengineered processes."

The site now almost always meets the shipment date promised to customers, but IBM admits that there is still room for improvement. Having survived the uncertainties of the mid 1990s and the extensive changes that followed, IBM believes that it has created a culture at Greenock prepared to pursue these improvements to remain a top ranked PC supplier. "We've created an environment of perpetual change," said Robin Gordon, "and people like that. If they don't, they move on." ●



8 From left to right: Robin Gordon, Principal (Scotland & Ireland) Buy and Supply Solutions Practices, IBM United Kingdom Ltd; Alan Waller, Senior Logistics Partner, PricewaterhouseCoopers, and Council Project Director, The Conference Board Europe; Nando Galazzo, Chairman of the Global Council on Supply Chain and Logistics, and Supply Chain and Logistics Director, Sonoco Europe; Denis O'Sullivan, B2B Strategy Manager - EMEA, IBM Europe; Farquhar Mackinnon, Managing Director Europe, NABS Europe; and Wim Hoogstad, Senior Vice-President, Supply Home & Personal Care - Europe, Unilever.



9 Council members tour IBM's personal computer plant at Greenock in Scotland.



10 Nando Galazzo, Logistics Director, Sonoco Europe, and Chairman of the Global Council on Supply Chain and Logistics, welcomes members to their meeting in Glasgow and Greenock, Scotland, on 22-23 May, hosted by IBM

Human Capital as a Strategic Asset

“People are our most valuable asset” state many companies proudly in the pages of their annual reports. Yet, when times get hard, people can quickly become their most vulnerable asset. At the **2002 European Human Resources Conference** in Amsterdam on 29-30 May entitled “People – our greatest advantage in hard times”, speakers from some of Europe’s leading companies showed the importance of human capital as a strategic asset to an organisation, even when times are tough.

Bram Groen from Mercer Human Resource Consulting (conference sponsor) said that the HR director should convince his or her CEO that investment in human capital can have a direct impact on business results. Developing talent and leadership and positioning the best people to create value for the company can build real competitive advantage. His colleague Richard Guzzo, gave some practical examples of this, using company case studies to demonstrate, for example, the clear link between pay-for-performance and corporate profitability.

Bill McQueen of Canon Europe said that HR practice needed to be aligned with changes in his company’s business models. Previously, there had been no clear picture or consistency. Through benchmarking and research, Canon identified eleven key areas on which to focus:

1. Aligning HR policy with business unit strategies and objectives
2. Integrating HR practices in a coherent model across businesses
3. Employee communications
4. Work design
5. Performance management
6. Staffing and selection
7. Rewards and recognition
8. Training and continuous learning
9. Culture development
10. e-HR systems
11. Measuring HR contribution to value creation in the company

Being listed on the New York Stock Exchange was one important reason for Canon to concentrate on measuring HR’s contribution to value creation in the company.

Measuring Human Capital

What motivates companies to measure people in the same way they measure widgets? Bill McQueen’s co-presenter, Dr Stephen Gates of The Conference Board, said that chief executive offices and senior managers are putting increased pressure on human resources directors to show how they contribute. Stephen presented the findings of his new research report, “Value at Work: the Risks and Opportunities of Human Capital Measuring and Reporting”. Based on a survey of 102 human resource professionals and interviews at 20 companies, the study focuses on why and how companies are measuring their HC, how they are creating and using HC measures; and why and how they elect or decline to report HC measures to the investment community.

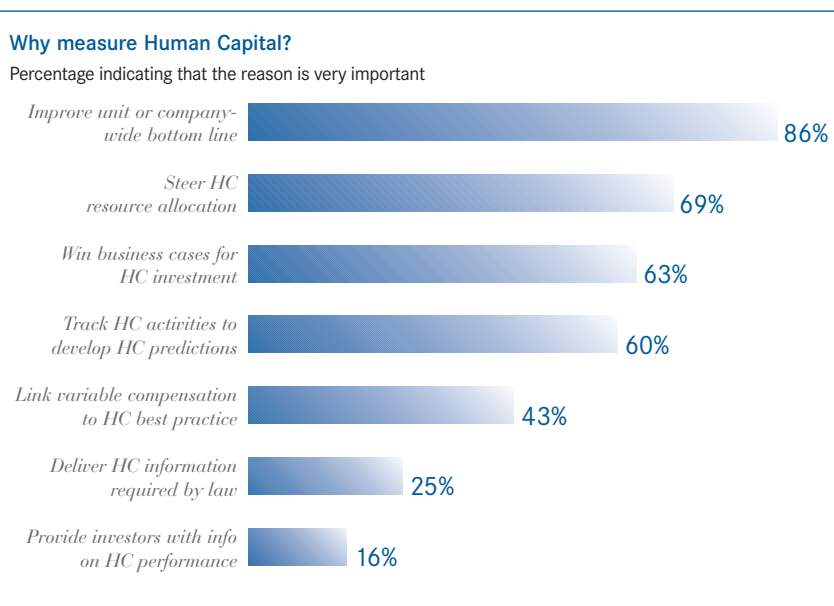
The following chart, taken from the report, shows the main reasons why companies measure human capital. As it clearly shows, respondents to the Conference Board survey overwhelming confirm

(86%) that the main motivation for human capital measurement today is to improve the unit or company wide bottom line.

Practical Issues

Practical issues of HR management were explored throughout the two day conference. Vance Kearney explained how a single global HR database was successfully introduced at Oracle Corporation. No modern e-business, he said, can function properly without relevant HR information. Customer support systems need to know about employees’ skills and jobs in order to be effective, and a single integrated Employee Relationship Management (ERM) database is essential in a multinational corporation. Frans de Wuffel of Fortis spoke about the challenge of shifting mindsets posed by the merger of this insurance, banking and investment company, where personnel numbers have grown from 19,000 to 70,000. Fortis’s strategy is focused on people, skills and the business:

- Get to know the key talent and nurture it
- Foster exchange of expertise in workshops
- Stimulate creativity and entrepreneurship in business, rewarding those who “think ahead of the crowd.” ●





Meetings Diary

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Listed below are some forthcoming Conference Board events for European members.

If you would like to receive an invitation to any of them, please tick the appropriate box, supply your name and company details, and send the form to:

**The Conference Board Europe,
130 Chaussée de La Hulpe, box 11,
1000 Brussels, Belgium**

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32.2/675 03 95

You can view complete agendas for our conferences and register for them at our website:

www.conference-board.org

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5-6 September

- European Council on Research, Development and Innovation*
Cambridge
- European Council of Controllers*
Berlin

9-10 September

- European Working Group on Technology for HR*
Helsinki

11-12 September

- Joint meeting: *European Councils on Managing the Environment and Health & Safety*
Paris
- European Council on Purchasing*
London

12-13 September

- European Council on Corporate Strategy*
London

19-20 September

- 2002 Compensation & Benefits Conference*
Brussels
- European Council on Corporate Learning*
Florence

26-27 September

- The Pensions Council*
Vienna
- European Council of Financial Executives*
Berlin

3-4 October

- European Working Group on Corporate Citizenship*
Madrid
- European Council on Investor Relations*
Rome
- 2nd Hungarian Forum and Hungarian Council of Financial Executives*
TBA

10-11 October

- Joint meeting: *European Council on Business & Organisation and Global Council on Organisation & Management*
Paris

- European Council of Economists*
Barcelona

16-17 October

- European Council on Mergers & Acquisitions*
Brussels

17-18 October

- 6th Polish Business Forum and Polish Councils of Financial and Marketing Executives*
Warsaw
- Joint meeting: *European Councils on Legal Affairs and Corporate Governance and Board Effectiveness*
Brussels

- European Council on Compensation & Benefits*
Madrid

22-23 October

- European Council on Customer Relationship Management*
London

- European Council on Shared Services*
Chester

- European Council on Digital Solutions*
The Hague

28-29 October

- European Council on IT Governance & Strategy*
Brussels

- Middle East Council*
Kuwait City



New Research Publications

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These reports can be downloaded from the Members Only website:

www.conference-board.org/membersonly.htm

(If you experience log-on difficulties, contact: rosa.correia@conference-board.org for assistance)

Alternatively, complete this form, ticking the appropriate boxes, and send or fax it to:

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1317-02-RR

North American Outlook 2002-2003

Gives The Conference Board's economic forecasts for Canada, the United States and Mexico in 2002-2003. Highlights: North America will lead global recovery in 2002, but recovery is expected to be modest by historical standards.

Available also as an Executive Summary

1316-02-RR

Value at Work: The Risks and Opportunities of Human Capital Measurement and Reporting

Looks at motivations and trends in Human Capital (HC) measurement, the creation and use of HC measures, investors' interest in measuring human capital, and reporting HC measures.

Available also as an Executive Summary

1315-02-RR

Developing Business Leaders for 2010

The demands on today's leaders and those of the next generation will continue to grow. This study, based on extensive interview and survey data, addresses the efforts of leading-edge companies to develop the leadership strength they need.

Available also as an Executive Summary

1313-02-RR

Performance 2001: Productivity, Employment, and Income in the World's Economies

This study compares the living standards of major industrial economies (a composite of productivity, total hours worked, and per capita income), reports current rankings, and examines the last decade's growth.

It examines reasons for continued differences between the United States, Europe, and Japan.

1312-02-RR

- Transforming the Supply Chain*
Supply chain management is undergoing rapid transformation, driven by a number of factors, including the use of new technologies and the global marketplace. This report is based on a survey of supply chain executives, who comment on organising for the supply chain effort, the role of suppliers, and the use of new technologies (including e-purchasing and B2B marketplaces).

1311-02-RR

- Restructuring Chinese Enterprises: Effects of Federalism and Privatisation Initiatives on Business*
This report looks at the progress of China's transition to a market economy by assessing how its programme of increased federalism and more private ownership has affected business productivity.

1310-02-RR

- Corporate Community Development: Meeting the Measurement Challenge*
The Conference Board's Working Group on Corporate Community Economic Development conducted a number of case studies to examine how some particularly successful corporate community development projects were undertaken. This report includes an overview of general themes that emerged in the course of the research, detailed descriptions of four corporate case studies, and an ROI analysis of the projects.

1309-01-RR

- The Road to Sustainability: Business' First Steps*
This report traces the evolution of sustainability, summarises some of the operating implications for companies, and describes the role of external influences or "drivers." Case studies of the sustainability approaches of four leading companies (DuPont, ABB, Procter & Gamble, and Baxter) are presented.