KORN FERRY

Perspectives

DOWDUPONT: THE $130 BILLION TALENT CHALLENGE

After decades of developing top leaders, two chemical giants realize they'll need to create new talent strategies from scratch for its spinoffs.

The problem:

After its spinoff, the former specialty products division of DowDuPont must figure out how to find, hire, and retain more than 30,000 employees across 200 offices.

Why it matters:

An organization's talent strategy often doesn't keep up with the firm's evolving business strategy.

The solution:

The new specialty products spinoff company is devising a whole new talent strategy.

Both Dow Chemical and its rival of decades, DuPont, have always known something about finding and developing smart employees. Over its 117-year history, Dow scientists developed thousands of processes to help make the products manufactured by other firms faster, better, and cheaper. Two of its engineers went on to win Nobel prizes. DuPont's track record was equally impressive. Over the last few decades, DuPont employees developed and built billion-dollar businesses around areas such as nutrition, industrial biosciences, safety & construction, electronics, and transportation, and it's had a successful track record of hiring since it opened its first mill in 1802.

But when the two chemicals industry giants decided to merge in 2015, its executives began thinking about how they could preserve these legacies of attracting and developing talent around the world. Their conclusion: Holding nothing sacred, develop a talent strategy from scratch.

Actually, make that strategies. The merger brought 90,000 employees across 30 countries together only temporarily. By the middle of 2019, DowDuPont will have split itself into three separate firms, and each will *have its own approach to talent. "We're trying to drive a very different culture with a very different set of cultural principles than either the heritage Dow organization or the heritage DuPont organization, and so we wanted that talent strategy to reflect the culture," says Kim Wallenhorst, a longtime DuPont HR executive in charge of developing a new talent strategy for one of the spinoff firms.*

There are always questions about processes during mergers, whether the M&A involves two local small businesses or a $130 billion megaconglomeration like Dow and DuPont, the second-largest merger in United States history. After all, both entities separately have systems overseeing payroll, supply chains, job interviews, and everything in between. Figuring out which systems to adopt is difficult, but it's often easier than building something from scratch.

But sometimes legacy systems need to change. The type of employee needed for new work may be completely different than the one that succeeded in an old system. Particularly when it comes to finding and keeping the right talent, some prior models no longer work. Today's organizations often need to be filled with intellectually curious people who have high tolerances for risk and ambiguity.

The decision to build new, of course, brings its own spate of challenges. Plus, all that work is on top of running a large existing business. One day human resources leaders are trying to keep the business going. The next day they're figuring out how to get a merger implemented. The third day they're figuring out the new talent strategy for a company that doesn't yet exist. "We struggle for bandwidth," Wallenhorst says.

A "specialty" spinoff

The new DuPont will incorporate the specialty businesses from the old DuPont and Dow Chemical.

$21 billion
in sales, one of the world's largest specialty chemicals firms

Based in
Wilmington, Delaware

32,000
employees, including
4,500
scientists & engineers

More than
200
manufacturing sites worldwide

Top markets:

- Nutrition & Biosciences
- Transportation
- Safety & Construction
- Electronics & Imaging

"We're trying to drive a very different culture with a very different set of cultural principles."

The merger of DuPont and Dow was never meant to create a megasized company, at least for the long term. The goal from the beginning was to divide it up into three separate firms. Each firm focused on different industries with unique strategies and talent needs. One firm (which would eventually retake the Dow name) would focus on materials science and three narrower and deeper, higher-growth areas: packaging, infrastructure, and consumer care. A second spinoff, called Corteva, would focus exclusively on the agriculture industry, with a robust pipeline across germplasm (seeds and other living genetic resources), traits, and crop protection.

The third spinoff, specialty products, would eventually retake the DuPont name and focus on customer-driven innovation. This organization would apply market knowledge, along with a deep expertise in science and application development, to solve customer needs. Based in Wilmington, Delaware, it would also be quite sizable, with forecast sales of around $21 billion, more than 200 manufacturing sites from Kentucky to Kazakhstan, and more than 30,000 employees.

The spinoff would work across major lines of business that targeted myriad industries, from firefighting to semiconductor manufacturing, with many major decisions being made outside of company headquarters. The market certainly had higher risks, but it also had the potential for much higher profit margins and growth. Being a specialty markets leader would involve finding, developing, and keeping the most innovative scientists (it has more than 4,500 scientists and engineers) combined with strategists who can identify potential acquisitions to complement the product portfolio.

"The new company needs to build a workforce in which everyone thinks and acts strategically and globally, develops themselves and others, and leads courageously," says Patrick O'Meara, a senior client partner at Korn Ferry. "It's a far different mindset than what Dow and DuPont had earlier." Those employees would be most engaged in an environment that was collaborative, ambitious, inclusive, and flexible.

It became apparent to Wallenhorst that neither DuPont nor Dow's existing talent strategies were going to work. For decades, Dow had built a hierarchical organization that could turn out top chemists, salespeople, or most any other major role it needed around the world, but it didn't *consistently produce legions of big-picture leaders who could see across multiple industries or functions. Meanwhile, DuPont had a legacy of developing leaders who could run a business well, but was less successful at grooming their own direct reports into eventual leaders. Neither of those approaches were going to build a culture of innovative leaders within the firm.*

After determining the culture the new spinoff needed, building the new talent strategy would involve tackling multiple objectives. HR executives had to define what traits, skills, drivers, and experiences employees needed that were critical to the firm's success. Then the firm needed to create an employee value proposition. Much like a salesperson would state a case to why a customer would want to choose his or her product, the company's leaders had to create a compelling case for current and future employees.

The process takes months of setup and then months of follow-ups. It took the company about six months to establish an employee value proposition. Now, the firm intends to send out annual employee engagement surveys and more frequent pulse surveys to see whether employees believe the company is living up to its promises. The value proposition, of course, is not enough. The firm needed to build a new rewards program and performance management system. Each will take months to roll out and refine.

All of this is being driven by senior leadership, but to make any new talent strategy work, Wallenhorst says it needs to have buy-in from all the employees. To that end, employee groups throughout the organization have been engaged in designing the culture, talent strategy, and employee value proposition. In regards to culture, the new firm will be asking its employees—both new and existing—to embrace three new cultural principles: act like an owner, partner with customers, and make an impact. To reinforce the culture, managers throughout the organization are encouraging employees to start asking themselves questions such as "How can I, or my team, act more like owners?" "What can I do to be a partner with a customer?" and "How can I, or my team, make an impact?"

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The mechanics of a new talent strategy

A company needs to align how it hires and develops employees with what it wants to accomplish as a business. To make that talent strategy successful, HR departments usually have to concentrate on smaller but critical goals:

IMPROVE HR'S PRODUCTIVITY

HR can become more customer-focused, where the customers are the employees.

DEVELOP CHANGE MANAGEMENT PROCEDURES

Break down silos to let HR and business leaders effectively institute policies across the world that can help expedite changes.

OPTIMIZE THE RECRUITING PROCESS

The organization can use data, AI, and performance management software to identify high-potential current and future employees.

IMPROVE ONBOARDING

Create a favorable experience for employees when they first join the organization.