

Developing Values and Competencies with Maximum Engagement

How one multinational achieved overwhelming employee endorsement for its new values and competencies using an innovative and engaging rollout.



Introduction

In business, the corporations that thrive are those that adapt to meet evolving market and organizational needs. However, the larger and more established a corporation becomes, the more difficult it can be to change its culture to adapt. When a company's executive leadership decides it's time to craft a new purpose, vision, strategy, and set of values, it can become a huge change management challenge. More than that, the question looms: How do you engage employees in a way that will win their hearts, heads, and hands? Get it wrong, with a poor communication and engagement process, and your brand-new strategy will all be for not.

Finning—a publicly-traded dealer of Caterpillar equipment with a global footprint and more than US\$4 billion in annual revenues—embarked on a major cultural evolution in 2016 with the support of Korn Ferry. Finning went beyond developing new values; it also developed a set of core competencies: the measurable skills and behaviors that lead people to success in their work. What's more, it used a strategy that helped achieve remarkably high levels of engagement and endorsement from employees and global leaders throughout the process.

“They had to be more than words on paper, but ideas that infused and shaped our workplace.”

Purpose, Vision, and Values

Successfully evolving a company can be a monumental task, and like any big project, it's often difficult to know where to start. Research from McKinsey indicates that just one in four executives say transformations they've worked on were successful in improving performance and equipping the organization to sustain improvements over time (McKinsey 2015). Finning aimed to beat the odds. The first step was to define the company's purpose, vision, and values—or in other words, to define the type of company it wanted to become.

Purpose is the “why” a company does what it does. It's a fundamental component of a fulfilling life and a successful organization. People with a positive, energizing purpose tend to be focused, optimistic, and successful. A strong sense of purpose inspires people and organizations to do great things. Multiple studies have found that purpose-driven organizations generate superior performance, greater stakeholder satisfaction, and increased sustainability.

Research from Korn Ferry revealed that purpose-driven organizations in the consumer sector have a compound annual growth rate of 9.85% compared to their peers' rate of 2.4%, from 2011 to 2015 (Korn Ferry 2016b). Other research has found that a “strong, well-communicated purpose” can contribute up to a 17% improvement in financial performance (Mazutis and Ionescu-Somers 2015) and that workers with a “purpose orientation” report greater job fulfillment, “do significantly better” in their performance evaluations, and are much more likely to promote their employers to others (Imperative and New York University 2015).

Vision is our inspirational future state of our company—our view of what success looks like. It's the “what” behind the purpose's “why. A clear, engaging vision is key to building alignment around an organization's goals and to guiding behaviors and decisions to reach them. To be successful, leaders need to know where they are going, articulate where they are going to those they are leading, and inspire people to join them on the journey (Korn Ferry Institute 2016a).

Values are the building blocks of the vision. They are the qualities and priorities needed for every individual employee, team, leader, and executive to succeed, both personally and in driving the organization forward. Collective values create company culture and lay the groundwork for teams to work together cohesively. Values are what set a company apart from its competition, clarifying its unique identity and serving as a rallying point for employees. At Finning, it was imperative that the values felt committable and real. “They had to be more than words on paper, but ideas that infused and shaped our workplace,” as Deryck Litoski, Finning's global head of talent management and organizational development, described the journey. “We wanted our values to be strong enough that they could guide and influence behavior and provide a basis for important decisions, like hiring, promoting, and firing.”

Once Finning had outlined its purpose, vision, and values, the challenge became putting them into action in service of strategy execution. It's one thing to know why you are doing what you're doing—the question is how will you get there? That is where a consistent, global set of competencies comes in.

Competencies: Background

In today's rapidly moving market, job descriptions are dynamic, with skills, duties, and responsibilities that are constantly shifting. A business' success depends on its capacity to build a workforce in which everyone has the skills and behaviors they need to succeed amidst a shifting landscape. However, 77 percent of CEOs globally say the availability of key skills concerns them as the biggest threat to their business (PWC 2017) and 46% report difficulty filling positions because skilled talent isn't available (ManpowerGroup 2017).

A globalized economy means that leadership differences between regions that were once important are now less so. Organizations need global leaders with the right knowledge, experience, and competencies to overcome the talent shortage. By identifying core competencies, organizations can better navigate their current pain points and future needs, as well as volatile business environments, to build a more dynamic, agile, productive workforce.

Competencies are defined as a cluster of related behaviors (Korn Ferry 2014, McClelland 1973), rather than specific technical skills (Bowen and Ostroff 2004).

The broader scope yields more flexibility and adaptability because competencies can easily translate across roles. As new needs emerge, or old needs lose relevance, companies can add and subtract competencies from their framework, and doing this on a regular basis reaps benefits: 62% to 70% of high-performing organizations update competencies every two to three years (Loew and Garr 2011). Another benefit of the competency framework is it creates consistency across an organization regarding talent practices. In addition, competency frameworks are valuable for long-term planning because they help build organizational capacity, enabling companies to activate their competitive strategy with their most important asset—their people.



According to Korn Ferry Leadership Architect, an analysis of multi-rater assessment scores found that competency proficiency accounts for between 43% and 64% of the total variation of job performance. Using a competency model, corporations can generate an additional \$3 million in annual profit per top-level executive candidate (Russell 2001) and save on reduced turnover costs of \$580,000 per executive (Clark and Weitzman 2008).

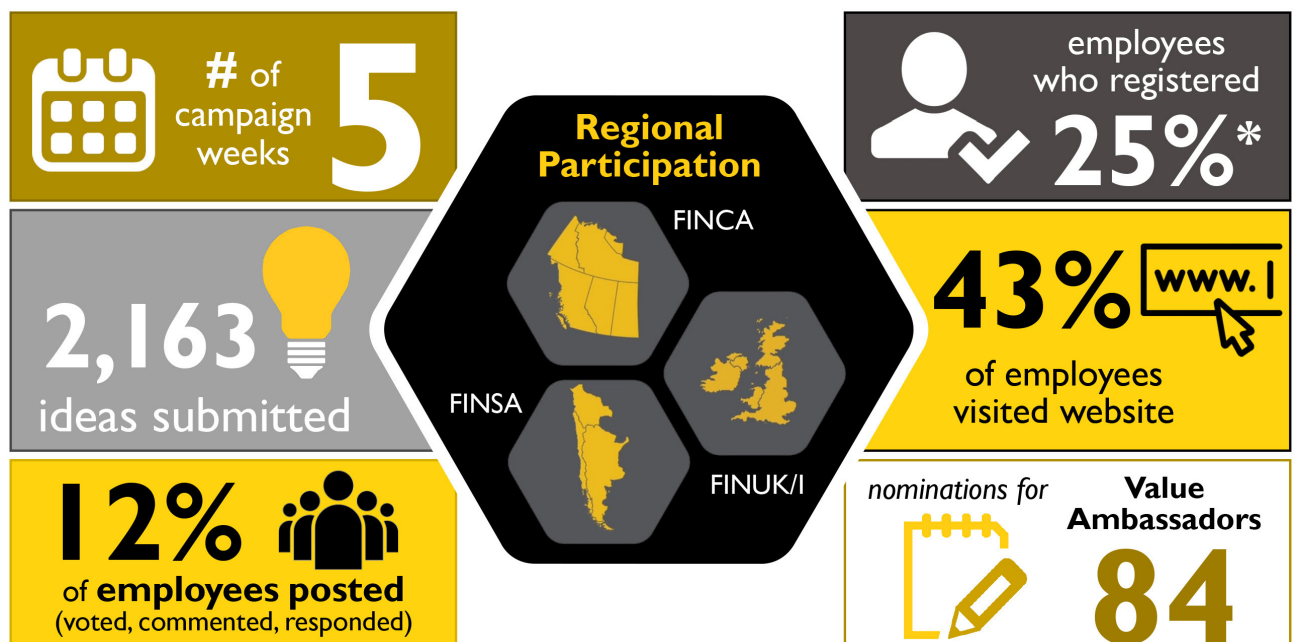
Implemented well, competencies can be used for the entire employee life cycle, including recruitment, performance management, employee and leadership development, and succession management. During the recruiting process, structured, competency-based, behavioral interviews—including situational judgment tests and simulation assessments—can yield significant insights into whether a candidate can quickly be productive and grow at the company (Hallenbeck and Eichinger 2006). The framework also provides useful data points for decisions around delegation and assignment, internal promotion, and external hiring. And it can help managers identify how specific behaviors add to or detract from an employee's performance, creating

opportunities for more effective assessment, coaching, and development conversations. Competencies connect all talent management practices, giving employees an anchoring sense of how to succeed when things are changing around them.

"Finning has enjoyed nearly 85 years of success. Under the new Purpose, Vision and Strategy though, the familiar adage, what got us here won't get us there now applies. Finning looked towards a new set of competencies to service and transform the customer experience," Litoski said. That's where Korn Ferry Leadership Architect came into play. It works with businesses to address their talent challenges, so they can align business and talent strategy, drive innovation, build market share, respond to rapid change, and cultivate a company culture that supports a sustained competitive advantage.

"It is critical that we focus on two areas. First, we need to develop the talent we already have; second, we need to ensure that the new talent already has the competencies and values we have identified as critical to our success," Litoski said.

THE RESULTS



Finning's Transformation

In March 2016, Finning held a global strategy summit with executive members from across the organization. The aim was to align on a new purpose, vision, and strategy to guide Finning as it works to position itself for greater growth, with a focus on elevating the customer experience and improving customer outcomes. As a by-product of this meeting, Finning asked its global talent management leader to review the current values and competencies to ensure they were the right ones to support a new purpose, vision, and strategy.

Transforming Values

"The top priority for Finning's executive team was for our employees to truly embrace the values," Litoski said. It wouldn't matter how much time and thought the leadership put into developing values without employee buy-in. In April 2016, the global talent management team outlined a draft of employee engagement plans and decided to take a more innovative approach using an online forum through crowdsourcing. This social collaboration tool would allow all employees to have input into how the organization is evolving and facilitate discussion amongst colleagues around their global locations about the company's values. "Instead of going from the top down, we went to the entire organization and offered them a voice". Litoski said. This approach enabled Finning to capitalize on the experience and knowledge of its people, better define its values, and simultaneously inspire commitment to these values.

The crowdsourcing campaign kicked off on August 8, 2016. Employees were invited to visit the website and share their views on direct, declarative questions about their values—what mattered to them, what they thought

Finning represented, what they wanted Finning to represent going forward. Finning also posted supporting documents and resources on the site that explained why the company was changing its values, and it encouraged employees to participate as often as they could from August 8 to September 9.

Over the five weeks, 43% of employees visited the website and 25% registered. 12% of overall employees voted, commented or responded through the site, and more than 2,100 ideas were submitted. In addition, 84 employees volunteered or were nominated by colleagues to serve as global ambassadors once the values were endorsed.

Finning saw an impressive 89% overall endorsement from employees who participated in the engagement, and from that—a new set of global values was born.

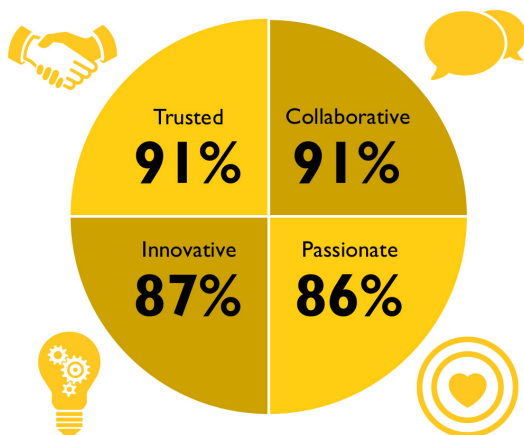
From the CEO

Finning's President and CEO, Scott Thomson knew that the work started at this executive summit was only the beginning. "It was important to me to gather my global executives to review, influence, and refine the work that the C-suite did initially on our purpose, vision, and strategy. At the conclusion of the summit, I knew the result was a better product and a highly engaged effort amongst the executive team. For me, the next critical step was reviewing our values and competencies."

Values Endorsement the Final Numbers

After the campaign, Finning analyzed the input to identify those ideas that stood out among the suggestions and comments. There were some surprises as well as insights into how employees approach their work. For example, “passion” was one of the most popular terms and came up again and again, validating it as a value that needed to be included.

Endorsement By Value



*INCLUDES THE RESPONSES "DEFINITELY WILL, EXTREMELY WELL, & VERY WELL"

Questions asked of Employees:



1. Will this value help us achieve our purpose, vision, and strategy?
2. How well does this value fit for you?
3. Will you support this value?
4. Will this value guide or influence your behaviour?

Turning To Competencies

The process for developing the competency framework was slightly different, given the technical nature of competency model development. Instead of inviting all employees to participate, the company's top global leaders were targeted to help define what employee and leadership competencies were required to execute on the strategy.

From October 5-24, 2016, 145 members of the Finning Senior Leadership team were invited to provide feedback on the provisional set of Finning competencies (employee-level and leadership-level). The engagement process was like what took place in creating the values. Leaders could visit the dedicated website for more information, to provide input, and to review and respond to their peers' comments.

Finning saw 82% of these leaders register for the website, and together they posted close to 500 ideas. What's more, Finning saw a 91% overall endorsement from leaders about the final list of competencies.

From the CHRO

"Offering each employee the opportunity to share their opinion has driven a much deeper commitment to the new values," said Finning's chief human resources officer, Chad Hiley. "The feedback I have consistently received was 'I got my say.'"

THE RESULTS**LEADERSHIP COMPETENCY ENDORSEMENT THE FINAL NUMBERS**

Highest to Lowest		
1	Develops Talent	100%
2	Situational Adaptability	95%
3	Commercial Mindset	94%
4	Customer Focus	92%
5	Courage	92%
6	Cultivates Innovation	90%
7	Drives Results	87%
8	Decision Quality	79%

Questions Asked of Leaders:

1. Will this particular leadership competency help us achieve our strategy?
2. How would you assess Finning's current capability in this leadership competency?
3. How difficult will it be for Finning to develop this leadership competency?
4. Will this competency guide or influence your behaviour?

Focus on Digital Engagement

The success of the entire endeavor rested on employee engagement. Transforming an organization is simultaneously a macro and a micro process. Executives can lay out overarching principles, but without the support of the people who make up the organization, those principles carry little weight. Finning made employee participation a priority, and was overwhelmingly successful by deploying several tactics that drew people into the process.

Finning invested in creating an online forum experience that was well-designed, on-brand, and easy to use. The site clearly communicated what the project was, why it was happening, and how employees could get involved. It made participating an intuitive and dynamic experience. The site was highly interactive as well, with many opportunities for people to see other people's posts, comment, and agree or disagree. As a

result, the company saw many thoughtful discussions emerge. The interactivity kept employees coming back to the site and moved conversations forward.

Finning also created short, engaging videos that were shared and posted on the campaign's website, explaining the purpose, vision, and strategy, what values are, and why the company needed them. "If anything, we over-communicated given how important it was to provide employees context for what was happening in an accessible format," said Litoski. "We operate in a wide range of work environments, so we needed to be lean and agile."

One technique Finning used to further spur engagement was to encourage an element of informal competition by reporting regional participation rates, which served to incentivize people in different regions to ramp up their involvement.

Innovative Versus Traditional Approach



From the CHRO

"Many employees offered stories and examples of what the values meant to them or how they'd seen them in their work environment," said Hiley, Finning's CHRO. "We've been able to use some of these stories in our communications and training materials, and that has allowed our values to come alive organically."

However, the company did not limit the campaign to digital engagement. To engage team members who do not regularly access a computer at work, it created a paper version of the survey for those employees to respond to, so their input was not lost.

Once the input was received, reviewed, and incorporated, a global rollout plan began to embed the values and competencies across the organization. This included replacing old values and competencies with the new ones in all existing HR programs, updating communications material, and so on. Finning also created a library of online resources about the competencies, which enhanced the company's commitment to transparency and gave employees access to key, just-in-time information. These efforts were complemented with company-wide posters, as well as scheduled sustainment activities that would promote and reinforce the values over time.

Canada went first in the formal values and competencies rollout, and the response so far has been extremely positive. The United Kingdom and Ireland and South America have since followed, and this cascading roll out was another important consideration as each region had its own ideal window based on other initiatives. All regions will be complete by the fall of 2017.

Also in 2017, Finning will incorporate the values and competencies more thoroughly into its assessment and recruitment programs. Finning will look for consistent indications that the employee base and leadership are living the company's values, and that their talent management and human resources practices all reflect the values and competencies. Finning will make available self-directed learning opportunities, both formal and informal, for employees and leaders to practice the values and competencies. It will also ensure the values and competencies are foundation components in their new leadership and high potential development programs.

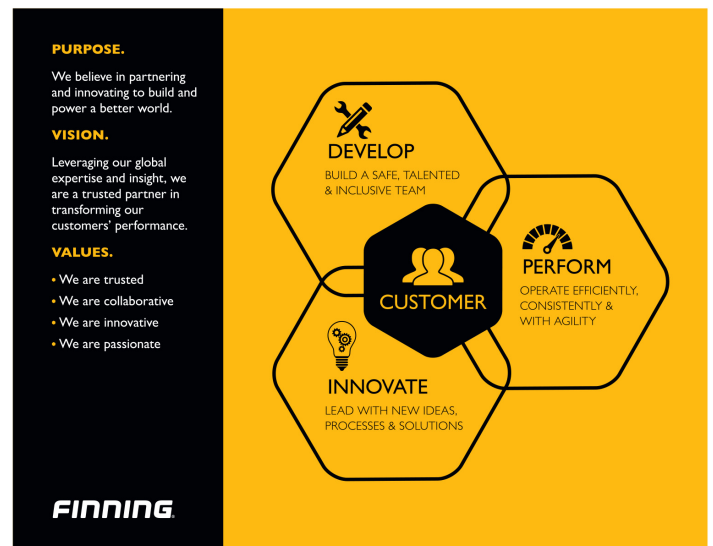
Lessons Learned

Finning adopted online social collaboration as a key aspect of aligning to a new purpose, vision, strategy, and values because it believed it would engage employees, and therefore catalyze the change it was looking for. This thesis proved true. Engaging employees was key to winning hearts and minds, and ultimate buy-in. And since the emphasis was on employee input, this put leadership in the offensive position of “listening,” which was a valuable exercise for executives and the employees alike.

“We started from scratch, and a willingness to listen was essential to the campaign’s success,” Litoski said. Getting ideas from such a large percentage of the population was unique and impactful because they were chosen through consensus, rather than from an elite few. “Employees can forever look on the values as something they had a direct influence on.”

The use of an online tool to gather input aimed to maximize engagement, but it also had the major benefit of minimizing the organizational stress, burden, and cost of a project of this size. Thinking outside the box and applying innovation engendered a process that was remarkably efficient and effective at achieving Finning’s goals.

Most important, the focus on competencies (in addition to merely focusing on values) made the purpose, vision, and values more meaningful. The competencies set out a blueprint for how to make all the abstract ideas concrete. And by allowing everyone in the Finning family to actively participate, the result is a strong sense of employee ownership in the new chapter of Finning.



From the CEO

“I’m pleased with the success of this process and that we took the right amount of time to properly set this as a foundation for Finning. Our new values and competencies are playing a significant role in developing new capability and capacity to execute our new purpose, vision, and strategy.”

Where Are They Now?

Flash forward to Q4 2017, Finning is pleased to report a most successful global adoption of this new set of values and competencies amongst our salaried workforce. Formal rollout using Leader-led workshops with HR partnership commenced in April 2017 and they are currently sitting at 80% completion.

Finning has also recently piloted a new global leadership and accelerated development program for its 2000+ leaders; values and competencies are core components of this leadership investment.

Finning's Transformation Has Immediate Results—award winning initiative as recognized by Caterpillar.



Recognition of the "Best Practice in Organizational Development" at the CAT Dealer People Conference 2017 held in July of this year in Bogota, with the participation of all dealers in the region.

The project presented was the "Implementation of the New Global Finning Values".



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