Driving Change through the Talent ‘Operating System’: The Case at Xylem
Agenda

- Introductions
- What is a ‘talent OS’, and why?
- Theoretical Foundations
- Case Study: Xylem, Inc.
- Implementation
- Lessons Learned
Who We Are

• Stan Telford – Director, Xylem, Inc.
• Lisa Koss – Principal, Ontos Global, LLC
• David White – Principal, Ontos Global LLC
Why the Need for a ‘Talent OS’?

Talent management: A *promise in search of fulfillment*...

“Failures in talent management are an ongoing source of pain for executives in modern organizations. Over the past generation, talent management practices, especially in the United States, have by and large been dysfunctional…”

The good news is that after years of effort, HR sees itself slowly moving beyond its traditional transactional role and migrating toward a more strategic relationship with the business.... Our research clearly highlights a lack of systems integration...(and HR is ) often unable to share information across applications used within HR itself...
- IBM Global Human Capital Study, 2009

“How concerned would you be if your HR strategy fell into the competition’s hands? If the answer is “not very”, can your organization be making world-class decisions where talent matters most to your strategic success?”
HR’s Struggle for Legitimacy

- Service-first mindset
- Administrative and transactional roots
- Manage risk vs. drive the strategic agenda
- Hard to make causal links between talent management and business outcomes
  - Lack of standard heuristics and practices (i.e. GAAP...)

Result?

- Perpetual underinvestment
- Susceptibility to ‘quick fixes’ and business leader pet theory
- Siloed practices, each with their own (legitimate) goals
- No master data ontology – ‘what counts for what’ up for debate
- ‘Success’ often defined on a local vs. enterprise scale...


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What is a Talent Operating System?

Standards
Processes
Business Logic
What is a Talent Operating System?

Standards
Processes
Business Logic

Career Frameworks

Integrated Talent Management processes

Data model for HR data integration and analytics

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What are Career Frameworks?

Career frameworks are functional behavioral standards consisting of **competencies**, **expected results**, **career paths** and **key experiences**. They provide transparent career progression which enables employee engagement and common talent practices across the enterprise.

Career Frameworks are **NOT**:
- Job ladders
- A succession planning tool
- Functional competency models disconnected from career progression

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Integrated talent management (ITM) is an architecture of standards and a business logic that anchors and unifies all of a firm’s talent management practices, from recruitment and selection through development to performance management and compensation.

By supporting all of these practices in a common way, ITM is a fundamental lever in culture and large scale business change.

ITM is NOT:
- A technology solution (e.g. a web portal, an ERP system)
- Another name for workforce analytics
- A performance management system based on competencies
Talent Management ‘OS’ Based on Career Frameworks

1 - Competencies define functional success in terms of business strategy

- Differentiate outstanding vs. typical performance
- Define expected results

2 - Career stages define career paths based on mastery of competencies

- Based on functions (related jobs/job families)
- A typical career path with progressively increasing SCOPE and IMPACT
- Career shifts between stages

3 - Experiences build functional and leadership competencies

- Roles or experiences leaders need to build competencies (may be within a job)
Career Frameworks Anchor all Talent Processes

Recruitment & Selection
- Competencies for selection
- Interview questions
- Scope anchors for job descriptions and posting

Performance calibration & management
- Scope and impact from career stages frames goal setting
- Performance calibration based on function and career stages (apples-to-apples comparisons)
- Competency-based assessment

Career Planning & Development
- Career stages frame career paths
- Competencies enable lateral progression across functions
- Career stages contain multiple related jobs, making movement within a job family easier
- Competency based feedback, gap analysis and development

Feedback and coaching
- A common, global language for managers and employees grounded in objective standards

HiPo ID, Leadership Development & Succession Planning
- Career stages frame leadership pipeline through sequential competency development
- Early-in career (career stage) focused development
- Functional leadership development

Broad-banding & Global Leveling
- Career stages anchor broad bands and provide global functional framework for pay

Workforce capability analysis & planning
- Capability-based workforce analytics (i.e. forward looking) combined with traditional headcount measures
- Workforce segmentation by function, stage, competency, etc.

Strategy + Career Framework + Integration with Talent Processes = Drive Change, Enable Alignment
Comparing Alternative Approaches

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<thead>
<tr>
<th>1</th>
<th>2</th>
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<tbody>
<tr>
<td><strong>Traditional Competency Models</strong></td>
<td><strong>Career Frameworks</strong></td>
<td><strong>Job Ladders or Sequenced Job Descriptions</strong></td>
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<tr>
<td>(Generic or leadership competencies without career stages functional career paths)</td>
<td>(Functional competencies defined in sequential career stages to form vertically integrated career paths)</td>
<td>(Skill, task, or competency descriptions linked to specific jobs)</td>
</tr>
<tr>
<td><strong>Pros:</strong></td>
<td><strong>Cons:</strong></td>
<td><strong>Job/role specific</strong></td>
</tr>
<tr>
<td>By now familiar to most employees</td>
<td>Engages employees through transparent career standards</td>
<td>The ocean is boiling: Almost impossible to keep up to date</td>
</tr>
<tr>
<td>Behavioral</td>
<td>More precise definition of expectations – a better lever</td>
<td>Too granular</td>
</tr>
<tr>
<td>Either too generic or too tactical = confusion</td>
<td>More targeted learning and development</td>
<td>Hard to use as accurate measure: often a mish-mash of skills, tasks, and behavior.</td>
</tr>
<tr>
<td>No real career path guidance - hard to drive employee development</td>
<td>Lynchpin for HR system integration because role-based</td>
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<tr>
<td>Hard to differentiate levels of expectation in a given role</td>
<td>Develops communities of practice: functional leaders own the standards</td>
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<tr>
<td>Not able to anchor to other HR systems like compensation</td>
<td>Take longer to develop</td>
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<td></td>
<td>Perceived as more complex unless deployed through apps</td>
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</table>
Why Competency Models Fail

1. Too Generic
2. Too Narrow
3. Not Connected

Engagement
People develop competencies when their skills develop in response to increased challenges and complexities of the work they are doing. This increase in complexity can be captured by describing shifts in work scope and impact seen over a typical functional career path. Career stages capture the key inflexion points in scope and impact. In this way career stages are effective as a foundation for developing leaders as well as for driving employee engagement, because what is expected at each stage is transparent and logically connected to career progression.

Graphic of competency growth through progressive increase in work scope and impact.
How Career Stages Enable Professional Growth

Full Performance

“Full”

Learning – New in role or in new career stage

Gap

Readiness for Growth

“Exceptional”

Incomplete Performance (performance issues - may or may not be related to development)

“Develop in Place”

How Career Frameworks Rationalize Individual Career Navigation

Example Only – Actual path taxonomy TBD

Core/Leadership competencies bridge functional paths
Career stages are common across functions

Executive Career Stages

Management Path

Technical Path

Functional Career Stages

Design/Development Engineering (R&D)

Application Engineering (Services)

Manufacturing Engineering (Operations)

Competencies common to all functions including executive leadership

CEO
President
Vice President

Core/Leadership competencies bridge functional paths
Career stages are common across functions

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Behavioral Standards Align the Future State with Individual Performance

Standards that are meaningful to the employee and relevant to the business

Behavior (competencies, career paths and experiences)

Business Model

Strategic Intent

“Customer intimacy market leader”
“Develop adjacencies for our technology”

Market & Technology Trends

Integrated electronics
Environmental regulations
Emerging market challenges

Live order vs. R&D driven, or a mix?
Vertically or horizontally integrated?
Global distribution?

Talent Management Processes & Practices

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OK, but, what’s in it for me?

1 – Fairness
The OMCF describes what success looks like. Knowing what success is for each role means discussions between managers and employees about hiring, performance, and personal learning and development now have an objective foundation.

2 – Transparency
The OMCF describes stages on a career path and as such make clear what it takes for an individual to progress from one stage to another in their career. Transparency aids career mobility.

3 – Mobility
By making clear what it takes to move up (or across) functions, and because these competencies are functionally-based rather than applicable only to select value centers, an employee’s potential for career mobility across ITT is greatly enhanced.
Building Career Frameworks - the Core of the OS

**Research**

A. Establish and brief project leadership team (LT)
B. Conduct incumbent 1:1 interviews, proportional to all levels and functions
C. # of career paths (functions) and career stages determined and approved by LT

**Develop & Validate**

A. LT reviews working drafts of competencies, career stages and experience
B. Drafts validated with focus groups and select incumbents
C. Final drafts reviewed and approved by LT

**Publish**

A. Create User Guide(s) and/or cards (as desired)
B. Create Interview Guide (as desired)
C. Create Learning & Development Guide (as desired)
D. Publish to Web Portal (?)

**Implement**

A. Leader led implementation
B. Training to managers/supervisors
C. Connect to PFP
D. Connect to succession planning, HiPo ID and other leadership development processes

**Maintain**

A. LT reviews working drafts of competencies, career stages and experience
B. Drafts validated with focus groups and select incumbents
C. Final drafts reviewed and approved by LT

**Timeline**

- **Months 1-2**
- **Months 2-3**
- **Months 3-4**
- **Months 4->**
Testimonials from Leaders (Microsoft)

• “What creation of the career frameworks has done is bring discipline communities together for the first time to define common standards of success. That alone has helped our work.”
  - Director, On Line Services

• “Having career paths defined helps us reinforce the idea that every career possible in the industry is available here. You don’t need to leave to have a career, or many careers. That is a huge attraction and retention benefit.”
  - Senior Director, User Experience

• “It is not a coincidence that since career frameworks were introduced there has not been one failed engineering project. That is not a sufficient condition, but it is a necessary one for engineering success”.
  - Senior VP, Engineering
So, Why a Talent OS Based on Career Frameworks?

1. Connect change objectives to behavior through structures employees care about: career progression and professional standards of success.

2. Enable deeper employee engagement through career transparency – what it takes to progress in a career path is clear.

3. Provide an empirical foundation for employee readiness and professional development.

4. Differentiate outstanding from typical performance.

5. Provide a foundation for growing leaders at all levels, including functional leaders.


7. Provide a data model based on roles and career stages rather than jobs – that works.

8. Provide the foundation for integrated talent management.

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Theoretical Underpinnings of Career Frameworks

Employee engagement
- Empirical engagement research (CLC)
- Knowledge worker competitive advantage (Harrigan and Dalma)
- Professional growth and respect a critical aspect of psychological contracts (Rousseau...)
- Manager attribution and ‘Pygmalion effects’ (Eden, Salancik...)

Business impact of talent practices
- Hawthorne effects, talent standards (Lewin, Chapple...)
- Connected talent management practices are always more impactful than discrete ones (Pfeffer, Huselid, Macduffie...)

Culture change
- Culture as practice (Swidler, Knorr-Cetina...)
- Technological grounding and professionalization shape cognitive models – the ‘basic assumptions’ that underwrite culture (Leonardi, Quinn, Strauss, D’Andrade, Shore, Schein...)

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Some Research on Employee Engagement

Among 38 employee value proposition attributes, 7 are critical for driving attraction or retention across all major segments and labor markets. Career frameworks are integral.

The Origins of Career Frameworks

1940s, 1970s & 80s Competencies:
Behavioral success factors; proficiency levels

1970s –
Job analysis: ways to delineate jobs by key factors, such as scope

1980s & 90s
Leadership pipeline: Executive development sequenced in progressive stages of experience and achievement (e.g. GE, leadership pipeline...)

Combine the features of all 3 methodologies into one comprehensive framework...

...where the unit of consideration is the career stage...

...and the career stage is the basis of integration for all talent management processes
What is Xylem?

The world’s largest pure-play water technology & equipment leader

Water Infrastructure

Water Sources

Water Treatment

Wastewater Treatment

Test

Water Transport

Applied Water

Irrigation

70% of Use

Industrial Water

20% of Use

Building Services

10% of Use

Test

Water Transport

Water Treatment

Wastewater Treatment

Test
Xylem at a Glance

**2011 Sales & Revenue**
$3.8 Billion

**By the Numbers**
- Xylem operates in more than 40 countries and 320 locations
- Xylem products are sold in more than 150 countries
- Engineering & research employees: 600 in 40 technology centers
- Employees: 12,500

**Markets Served**
- Public utility: 36%
- Industrial: 40%
- Commercial: 12%
- Residential: 9%
- Agriculture: 3%
How Does Xylem Create Value?

- Unique Global Assets
- In-Depth Customer Knowledge
- High Performing Culture

*Premium application solutions company solving our customers’ most challenging water problems*
We differentiate ourselves by being a *customer intimate* organization. We provide our customers with an outstanding experience by anticipating their needs, delivering solutions via applications expertise, and interacting with them in a highly efficient and customized way.
Why this is important now

• Large collection of acquisitions in a loose corporate structure (300+ companies, 75,000+ people)
• Autonomous HR processes
• Limited value in integration
• No employment brand
• Very little cross-pollinating of talent

• Newly established company, but with several brands over 100 years old!
• Focused business which will benefit from a cohesive structure
• High value on employment brand (but not yet in place)
• High performing culture enabled through idea sharing across businesses and talent movement
• Focused and consistent HR processes need to be implemented
Xylem Integrated Talent Management Framework

**Talent Acquisition**
- External Sourcing
- Internal Sourcing
- EVP
- Selection
- On-Boarding
- Focus on Diversity
- Proactive sourcing

**Talent Development**
- Leadership Development Programs
- Action Learning
- eLearning curriculum
- Career Pathing
- Development Plans & Skill Building

**Succession Management**
- Define Key Impact Roles
- Successor Candidate Assessment
- Talent Priorities
- Develop Diverse Talent Pools
- Create HiPo Reservoirs

**Performance Management**
- Establish a Goal Alignment Cascade
- Performance Evaluation & Calibration
- Skill Gap Analysis
- Performance Feedback (Expanded Ecosphere)

**Total Rewards**
- Rewards & Recognition
- Pay for Performance
- Talent Mobility
- Benefits

**Workforce Planning & Analytics**

**Career Framework**

**Technology Infrastructure**
- Global HRIS Technology
- Performance Management Technology
- Learning Management System
- Succession Management Technology
- Recruitment Management System
Example:
The Xylem Engineering Career Framework

Engineering Competencies

- Technical Problem Solving
- Teamwork
- Systems Thinking
- Solution Design
- Planning & Process Orientation
- Innovative Thinking
- Customer Solution Orientation
- Cross-Boundary/Cross-Cultural Communication
- Adaptive Learning

Engineering Career Stages

- Distinguished Engineer / Engineering Director
- Principal Engineer / Senior Engineering Manager
- Senior Engineer / Engineering Manager II
- Engineer / Engineering Manager I
- Associate Engineer

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## Career Stages

<table>
<thead>
<tr>
<th>Career Stage</th>
<th>Associate Engineer</th>
<th>Engineer / Senior Engineer</th>
<th>Principal Engineer</th>
<th>Distinguished Engineer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(NA)</td>
<td>Engineering Manager I</td>
<td>Senior Engineering Manager</td>
<td>Engineering Director</td>
</tr>
<tr>
<td><strong>Job Architecture Levels</strong></td>
<td>Levels 1 &amp; 2</td>
<td>Levels 3 &amp; 4</td>
<td>Level 5</td>
<td>Level 6</td>
</tr>
<tr>
<td><strong>Associated Job Titles</strong></td>
<td>Mechanical, Electrical or Hardware Engineer I &amp; II</td>
<td>Mechanical, Electrical or Hardware Engineer III &amp; IV</td>
<td>Associate or Assistant Principal Mechanical, Electrical or Hardware Engineer, Senior Engineer</td>
<td>Principal Mechanical, Electrical or Hardware Engineer</td>
</tr>
<tr>
<td></td>
<td>NA</td>
<td>Engineering Manager I</td>
<td>Engineering Manager II</td>
<td>Senior Engineering Manager</td>
</tr>
<tr>
<td><strong>Scope</strong></td>
<td>Projects connected to the development of a small product, product component or subsystem.</td>
<td>Larger or more strategically critical projects connected to the development of a component or subsystem, or a product/system.</td>
<td>Accountable for engineering development for a medium-sized product line or system, or multiple, related product lines or systems.</td>
<td>Accountable for engineering development for a major product line or system, or multiple, related product lines/systems.</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>Solves problems of moderate technical complexity; contributions directly impact the success of specific projects which in turn impact the on-time delivery and market success of products dependent on the project(s).</td>
<td>Solves technically complex problems; contributions directly impact the success of multiple projects and which in turn impact the on-time delivery and market success of products, systems or a product line dependent on the project(s).</td>
<td>Solves highly complex technical problems; contributions directly impact the success of products, systems or a smaller product line.</td>
<td>Solves highly complex technical problems as well as critical business problems; contributions directly impact the success of related product lines and systems.</td>
</tr>
</tbody>
</table>
Planning & Process Orientation

Demonstrating understanding of the complexity and risks involved in building products and systems and how all components integrate from design through manufacturing, anticipating issues, demonstrating a thorough knowledge of dependencies, and deploying successful mitigation strategies in order to effectively manage project plans, budgets and schedules.

<table>
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<tr>
<th>Developing</th>
<th>Proficient</th>
<th>Excels</th>
</tr>
</thead>
</table>
| • Needs coaching to see how own work (designs, prototypes, projects, etc.) are absorbed into the manufacturing process  
  • Understands some project risk factors but not others. Needs coaching to fully "see" all project touch points and intersections (with other functions, projects, etc.) | Demonstrates understanding of project scope, and the  
  • Complexity and risks involved in building a small product, product component or subsystem  
  • Exhibiting knowledge of dependencies and deploying successful mitigation strategies | Fully Proficient AND  
  • Planning and mitigation strategies routinely call out dependencies and risks for larger-scope components, subsystems, or products |

RESULTS IN effectively managed projects.

Result describes expected outcome of Proficient behavior

"Developing" is NOT failing!

Each competency has 3 levels of proficiency for each stage.

Back of card: Development suggestions and Interview Questions

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Tools

- User Guide
- Learning Guide
- Interview Guide
- FAQs
- Competency cards

- Web Portal
- Online, competency-based Assessments (360, 180, etc.)
- Workforce Capability Planning System (available January 2013)
  - Real time, ad hoc views of competency strengths and gaps by any organizational measure (by group, manager, region, project, etc.)
  - Plan projects, determine optimal staffing mix, link strategies to capabilities...
Progress so far

2010
- Work Begins
- Global Leadership Rollout

2011
- Rollout throughout the US and sales management in EMEA
- Sales Academy Design begins
- Work Begins
- Global Leadership Rollout

2012
- Sales Academy Pilots for UK, Austria/Germany and Italy
- Initiated program with other value centers
- Rollout throughout the US and India
- Corporate Sponsorship for full program
- Performance Management Redesign project

Engineering
- Leadership
- Other Functions

Sales Marketing Product Management
- Work Begins
- Global Leadership Rollout

Today
- Train the Trainer for EMEA rollout (to be conducted in native languages)
- Program Plan developed for all of Applied Water Systems (to-be)
- Launched steering committee for Leadership competencies
Successes

• Very well received by those who have received the content

• Created a pull in the business (Commercial, then Engineering); started in one function within one business and a pull was created

• Other functions in our Value Center

• Corporate

• Other Value Centers

• Sales and Engineering routinely use the competencies for interviewing

• Used as the basis for performance improvement planning and the path forward

• Long term potential is huge and this provides the foundation for it
Challenges (so far)

**Current Challenges**
- Other functions have heard the buzz
  - Do they understand the work involved to do this well?
- Limited HR Infrastructure to support complete adoption

**Anticipated Challenges with broader implementation**
- Strong legacy of autonomy
  - Value centers like to do things their own way
  - Lack of embedded HR Systems
- Heavy Required Commitment
  - Culture change is hard and slow
  - Constant competition with issues of the day
Summary of Lessons Learned
1. Don’t Fall for the Expedience Trap

2. Focus on tools and applications from the start

3. Balance abstraction with specificity

4. Career lattices and ladders

5. Functional leadership engagement is key

6. Implementation is a change management problem

7. Have a vision, and be persistent
APPENDIX
Some Frequently Asked Questions...

Q. Aren’t career frameworks and integrated talent management (ITM) hard to implement?
A. Not necessarily. But like any strategic initiative, vision and leadership buy-in are prerequisites. There are two critical factors to successful CM/ITM implementation: (1) A rigorous development methodology so the competency and career path standards are legally defensible and validated as the right ones for your business; and (2) commitment from key leaders since the strategic value of CMs and ITM relies on business input.

Q. How long does it take to build an integrated talent management system based on CMs?
A. That depends on many factors including the size of the company, the level of commitment from leadership, the nature of the business itself, and the maturity of your talent management processes.

Q. What’s the value of doing CMs for the whole company when we only care about key talent?
A. (1) “Top talent” may reside in other functional/geographic areas. You might miss or undervalue people by only “modeling” certain functions/areas; (2) By only modeling certain businesses, both the employee engagement and strategic change benefits of CM are lost.

Q. Career models are only about people development, not compensation
A. Not so. Career stages are a natural base pay(broad-band) anchor point precisely because they are based on job families and are developed through a methodology similar to job analysis, based on factors like scope and impact.
Q. We believe development and performance management/compensation should be kept separate, so career frameworks are not for us.

A. Ask yourself, why would you not want to promote and develop people on the same basis as which you hire and/or pay? Performance and development processes can be separate, but maintaining separate underlying standards for pay and promotion will reduce the impact your talent management system has on your business transformation agenda and potentially thwart change efforts.

Q. Career frameworks describe vertical career progression. Much career progression in our company is lateral, across functions. How do career frameworks help that?

A. The system of competencies and career stages and experiences will provide a platform for enabling lateral progression, in three ways: (1) functions will have common, shared “core” competencies that can act as bridges across functions; (2) career stages anchor all jobs to the same scope and impact constructs, making it possible to compare and calibrate roles across functions; (3) Key experiences provide a way to think about career growth as a portfolio of experiences with many ways to acquire experiences.

Q. Since career stages are broad, don’t we still need job descriptions (JDs)?

A. You may, but the purpose of a JD can now be more focused. Because job roles are so dynamic, most JDs are obsolete as soon as they’re written. With career stages, the best use of a JD is as a recruitment marketing tool, built off the competencies and expected results of that underlying career stage.
ONTOS Global supports leaders and organizations transform their businesses across cultures. We work globally with leaders and groups to improve their effectiveness and help align, reinforce and sustain change by designing and integrating talent management systems and processes.

Our talent infrastructure practice helps leaders design, integrate and optimize their people system so as to use it as a strategic lever in sustaining change and improving time-to-market. We have a leading-edge methodology for integrating all talent management activities in the enterprise that is practical and actionable for your firm.

Some examples:

• Designing and implementing functional competencies and career paths
• Mapping business strategy to talent strategy via competencies
• Creating and implementing integrated HiPo identification measures and succession planning
• Designing and implementing integrated selection and development tools
• Designing and implementing integrated performance management systems
• Designing and implementing integrated multi-rater assessment systems
• Integrating career paths with job architecture and compensation systems
• Designing workforce capability planning systems
• Designing web-based systems and portals for all the above