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## The challenge of change

Transforming business through  
better human capital management



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*Using a concept known as workforce architecture, Philips Oral Healthcare was able to transform its talent management practices and build a world-class marketing function to support the continued success of the company's super-premium Sonicare brand.*



# Building the brand through better talent management

By Josy J. Koumans, Patrick R. Shannon and Ilene C. Siscovick



Philips Oral Healthcare (POHC), the Snoqualmie, Washington-based manufacturer of the Sonicare toothbrush, had enjoyed considerable market success with its “super premium” product in the decade following its launch in 1993. Yet CEO Conrad Smits was concerned that this success, built largely on the value of the Sonicare technology rather than on the value of its brand promise, could erode as the product was introduced internationally and faced increasing competition.

Smits felt that developing a leading marketing function – one able to build and sustain a world-class brand – was a key element of POHC’s long-term success. Clearly, this meant hiring and developing talent with high-level marketing skills. But other questions were not as easy to answer. Which skills, exactly, would be most critical in building the Sonicare brand? Would they be the same skills prized within POHC’s parent company, Royal Philips Electronics of the Netherlands, a global leader in health care, lifestyle and technology? Or does the uniquely positioned Sonicare product require a different set of marketing competencies? What roles are required within the marketing function, and what are the performance expectations for these roles? And how can the company effectively develop its talent so that it is meeting those expectations?

To answer these questions and transform its marketing function, POHC employed a new and powerful concept for better talent management: workforce architecture.

## What is workforce architecture?

In the simplest terms, workforce architecture is a detailed blueprint of an organization’s talent structure. This blueprint defines employee roles, competencies, performance expectations and development opportunities in much the same way that the blueprint for a house defines its size, layout and the materials to be used in construction. And just as the electrical, heating and plumbing systems designed for a house enable it to fulfill its purpose, workforce architecture identifies the core systems and processes necessary for an organization to manage its talent efficiently and effectively. Together, the detailed definitions and the systems of workforce architecture – linked closed to the overall business or function strategy – enable the organization to manage and measure its talent through integrated talent management processes.

## How workforce architecture helps organizations, managers and employees

Workforce architecture provides tangible benefits to organizations, managers and employees. It gives employers a better grasp of their overall workforce composition and capabilities – their “talent inventory” – in relation to their current and future business needs by identifying what skills are needed in various roles and who currently has those competencies. This information allows senior leaders and managers to make better,

more objective decisions about how best to build and deploy the workforce to achieve business goals. Across and within specific functions, workforce architecture helps organizations answer critical questions such as: What kinds of employees should we be recruiting? What are the development needs of our workforce? Where are our talent gaps and how can we fill them? Where do our top performers reside and are we rewarding them appropriately?

For employees, workforce architecture is invaluable in helping them to understand their roles and how they support the business, what they need to do to contribute, what skills and competencies they will need, how their performance will be measured and rewarded, and how they can advance within the organization.

### The business case for workforce architecture

Because it enables an organization to more closely align its people to its business strategy, workforce architecture can be instrumental in helping a company achieve business goals. Among the benefits attainable through workforce architecture are:

- Improved business results, as employees focus on the skills and behaviors linked to key financial levers
- Increased organizational agility to respond to market shifts, capitalize on new opportunities, and preserve or enhance competitive advantage
- Reduced costs, as role redundancies are identified and eliminated

- Accelerated value creation during an M&A transaction, by being able to quickly integrate newly acquired workforces into the existing workforce architecture
- Improved recruitment and retention of key talent and leadership, by having a clear picture of career paths available and supporting top performers through succession planning

### Key applications of workforce architecture

There are several situations in which workforce architecture can prove instrumental in helping an organization to reach its business goals. For example, at a time of **major transformational change** – such as the introduction of a new business strategy – workforce architecture can help to accelerate change by making clear how each employee is expected to contribute. This is a radically different – and much more powerful – approach to talent management than those typically employed in times of change. Often the emphasis is on creating a new organization chart, not on defining the roles and the competencies employees in those roles are expected to have or develop in order to achieve the business goal. While this traditional approach may seem sufficient, it leaves employees and managers alike largely in the dark about what is expected of them or what future career opportunities exist. As a result, change may not lead to the expected results.

When **globalizing operations**, organizations can use workforce architecture to harmonize roles and job codes, level rewards programs and enhance cross-country mobility. It can also help organizations in **emerging markets** create basic structures for careers based on competencies rather than on length of time in position, change their skill mix, move from an entitlement culture to a performance culture, and streamline HR efficiency.

A fourth application of workforce architecture – and the one of critical importance to POHC – is in building **functional excellence** by facilitating skill tracking and development relevant to a particular function, be it marketing, sales, information technology, finance, human resources or others. By focusing on improving talent management within functions that are key contributors to organizational value, the organization can leverage its people most effectively to drive business performance.

## **Transforming the marketing function at POHC**

Because POHC saw its marketing function as a differentiating one for the company, and as a critical driver of business success, the company hired Mercer to employ workforce architecture in transforming the company's marketing function. The goal was to pinpoint the skills necessary to achieve functional excellence and successfully build the brand. As the CEO put it prior to the effort, "Fifty percent of my marketing budget may be wasted. But which 50 percent?" The initiative was also designed to define and capture performance expectations and appropriate development actions within the marketing function's new workforce architecture, and to embed those into a range of human capital programs and tools – from recruiting and onboarding programs to developing career roadmaps – so that the organization was consistently promoting and duplicating the skills necessary for business success.

*"By focusing on improving talent management within functions that are key contributors to organizational value, the organization can leverage its people most effectively to drive business performance."*

The project was completed in five major steps:

## 1. Identifying core marketing competencies

The first step in creating a workforce architecture to support marketing excellence within POHC was to identify the key marketing competencies central to success. Defining these competencies involved an iterative process that incorporated external input from Mercer based on its work with marketing functions in a variety of organizations; consumer products marketing expertise provided by Mercer’s sibling company, Lippincott; and internal insights from POHC’s chief marketing officer and key marketing talent. Through this process, POHC identified a set of eight core marketing competencies. (See Exhibit 1.)

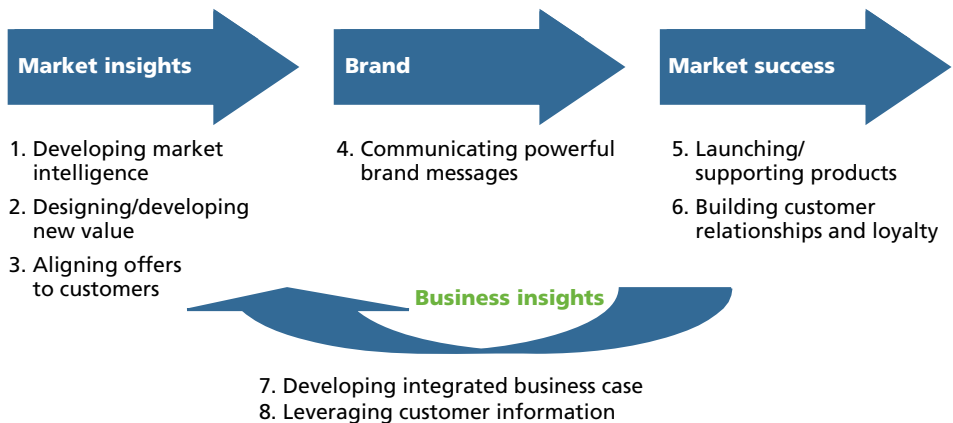
## 2. Defining concrete skills and performance expectations within each core competency

Once the major marketing competencies had been identified, the next step was to define the concrete skills that comprise each competency and define the four stages – or levels – of competence in each of these skills. The specificity of the skill stages is invaluable in charting the course for talent development, and can be referenced when communicating performance expectations and evaluating performance later on.

For example, one of POHC’s eight core marketing competencies is “communicating powerful brand messages,” which is defined as “shaping and communicating clear value propositions and messages

### Exhibit 1

### Marketing competency framework





about the brand internally and externally through effective use of all components of the marketing mix.” This core competency is then further broken down within the marketing competency model into more specific and actionable components, such as “valuing and managing the brand,” “defining and aligning messages and media to customers” and “developing effective communication materials.” (See Exhibit 2.)

Next, each of these skills is defined in terms of four stages of technical competency. For “defining and aligning messages and media to customers,”

as an example, each of the four stages shows progressive development in competency so that, while the first stage of competency requires that the marketer “develops communications messages that support differentiated positioning designed for proper customers/channels,” the fourth stage expects that the marketer “oversees consistency of company strategy and media messages, encouraging long-term strategies to solicit and retain customers.” Within the workforce architecture, then, POHC has developed a robust definition of the competency that can effectively guide – and grow – its marketing talent.

**Exhibit 2**  
**Four-stage technical competency example**

<b>Marketing competency: Communicating powerful brand messages</b>				
Definition: Shaping and communicating clear value propositions and messages about the brand internally and externally through effective use of all components of the marketing mix				
	1	2	3	4
<b>Valuing and managing the brand</b>	<b>Understands the ABC brand foundation</b> and ensures that communication programs or vehicles are consistently aligned with brand standards	<b>Executes programs</b> and manages agencies and other vendors to (...)	<b>Develops communication strategies that articulate brand promise and (...)</b> , considering business parameters, growth and profitability	<b>Shapes the strategic direction of (...)</b> and communicating its contribution to long-term business objectives across the organization
<b>Defining and aligning messages and media to customers</b>	<b>Develops communications messages</b> that support differentiated positioning designed for proper customers/channels	<b>Assesses success</b> of the current communication plan and use these results (...)	<b>Ensures proper translation of the marketing message</b> to promote customer understanding and (...)	<b>Oversees consistency</b> of company strategy and media messages, <b>encouraging long-term strategies to solicit and retain customer</b>
<b>Developing effective communication materials</b>	(...) or addresses information gaps and partners with external vendors capabilities	<b>Manages and develops production</b> of communication materials and ensures that they <b>align with customer needs</b> , redesigning materials if needed	<b>Leads development of communication materials (...)</b> and <b>negotiates</b> cost-effective vendor contracts while maintaining communication objectives and quality	<b>Initiates and oversees the (...)</b> of communications to protect and expand ABC's brand position

### 3. Defining proficiency expectations

Having clearly defined the marketing competencies and associated skills and proficiency levels critical to business success, the next step was to define the proficiency expectations for talent at different levels in the organization. This gives the company’s employees powerful insight into how they should be performing given their various levels. It also serves as the foundation of POHC’s performance management program, making it easy for managers to assess performance and give specific feedback on what employees need to work on. (See Exhibit 3.)

### 4. Identifying development actions associated with the competencies

With key competencies and proficiency levels defined, it also became possible for POHC and Mercer to identify specific development actions, consisting

largely of on-the-job activities that employees could take to improve performance. For example, recommended development actions associated with building capabilities in “communicating powerful brand messages” included spending a day at an ad agency to understand their internal processes, and managing message and media choices through external vendors. Because all of the information – competency descriptions, performance expectations and development actions – is stored within the workforce architecture, it has become much easier for POHC to build its marketing talent capabilities and close capability gaps.

### 5. Embedding the new competencies

The final step for POHC in transforming its marketing function was to embed the new competency framework within all HR processes – recruitment and selection, rewards, new-hire orientation, training and development, succession planning, performance

**Exhibit 3**  
Defining proficiency expectations by employee level

Level	Market insights			Brand	Market success		Business insights	
	1. Developing market intelligence	2. Designing/developing new value propositions	3. Aligning offers to customers	4. Communicating powerful brand messages	5. Launching/supporting products	6. Building customer relationship and loyalty	7. Developing integrated business case	8. Leveraging customer information
SVP	4	4	4	4	4	4	4	4
VP	3	3	3	4	3	3	3	3
Sr. Director	3	3	3	3	3	3	3	3
Director	3	3	3	3	3	3	3	3
Sr. Manager	2	2	2	2	2	2	2	2
Manager	2	2	2	2	2	2	2	2
Assoc. Manager	1	1	1	1	1	1	1	1

management and career roadmaps – so that it became part of the function’s “DNA.” After all, the competency framework captured in the workforce architecture cannot change the particular focus or level of competency of the company’s marketers unless it is placed at the center of everything POHC does to attract, develop and retain winning marketing talent.

Following the development of the competency framework, POHC built a new set of career path guidelines based on the competencies and proficiency expectations identified, with higher levels of proficiency needed to advance from one job level to the next. In addition, the competencies were baked into the company’s assessment and succession planning efforts, making it much easier to identify high-potential talent and future marketing leaders. POHC also developed a formal one-to-two-year marketing competencies development program.

## The impact at POHC

As a result of the effort to define and embed core competencies for functional excellence, Smits says, “We have a better understanding of our stakeholders, and more of a focus on how we can create a value proposition that meets their requirements.” He believes the company’s improved talent management in marketing has contributed to the highs in core market shares and the growing international market share that the Sonicare brand has enjoyed.

## Talent management is key to transformation

Talent is a key source of sustainable, competitive advantage when closely aligned to the business strategy. Organizations able to build and leverage critical talent capabilities through effective talent management will reap the rewards and improve their business results. Workforce architecture provides the infrastructure to do just that – whether the goal is to achieve functional excellence or a wholesale business transformation.

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## About Mercer

Mercer is a leading global provider of consulting, outsourcing and investment services, with more than 25,000 clients worldwide. Mercer consultants help clients design and manage health, retirement and other benefits and optimize human capital. The firm also provides customized administration, technology and total benefit outsourcing solutions. Mercer's investment services include global leadership in investment consulting and multi-manager investment management.

Mercer's global network of 17,000 employees, based in more than 40 countries, ensures integrated, worldwide solutions. Our consultants work with clients to develop solutions that address global and country-specific challenges and opportunities. Mercer is experienced in assisting both major and growing, mid-size companies.

Mercer's human capital business helps organizations globally to optimize their performance by meeting their most critical needs in three related areas:

- Managing, rewarding and engaging talent to drive business performance
- Ensuring responsible executive remuneration
- Enhancing HR effectiveness

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