



Executive Interview

This interview was conducted by Shawn Fitzgerald, lead editor for this issue and co-managing editor of IHRIM's Workforce Solutions Review (WSR) publication. Shawn interviewed three very special guests to talk about an international HR optimization project for METRO Cash & Carry, which was named "The Blue Sky Project." METRO Cash & Carry is a sales brand of METRO AG headquartered in Düsseldorf, Germany. We begin with introductions of our three guests.

Udo Stauber: I am Udo Stauber, director, HR Processes, Analytics & Projects and have been with METRO for more than 12 years. I'm responsible for organizational development, HR analytics, and mobile services within the HR community of our sales line, METRO Cash & Carry. Before I joined METRO I worked for DuPont, as a HR manager. I'm a certified coach and mediator.

Elke Nigge: My name is Elke Nigge and I have been with METRO for six years and in my current position I am responsible for projects focusing on HRIT, the HR organization, and HR processes. Prior to METRO, I worked for more than 15 years as an HR consultant, some of that time with IBM, on mostly large international projects. My role on the Blue Sky Project was project manager.

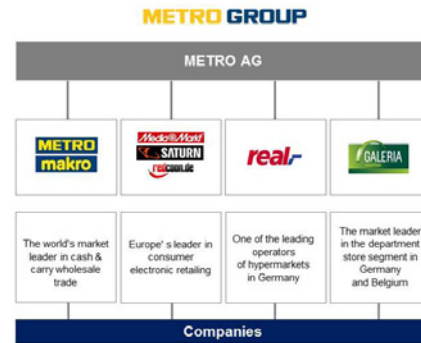
Wolfgang Taumann: I have 18 years of international HR and organizational consulting experience. Since 2005, I have owned a small consultancy, and before that I was employed with some leading HR consulting companies like Renaissance, Hunter Group, Cedar, and Booz Allen. I've worked in the U.S. and Europe. Since 2004, METRO AG has been one of my largest clients and I have worked with them on various HR projects. One of the largest projects with METRO AG has been the Blue Sky project for METRO Cash & Carry that we'll be talking about in this interview. I supported the project design, setup, and also the execution in the first two rollout waves.

WSR: Thank you. Let's get right to the questions. What was the state of HR METRO Cash & Carry and what was the need for the Blue Sky Project?

Stauber: At first I would like to introduce you to the METRO Group and METRO Cash & Carry, in order to understand the context of the project. METRO Group is one of the world's leading retail and wholesale companies with around 250,000 employees working in more than 2,200 locations in 31 countries in Europe and Asia, with an annual revenue of about 66.7 billion euros (in 2012). The portfolio of METRO Group's sales brands offers a wide range of services

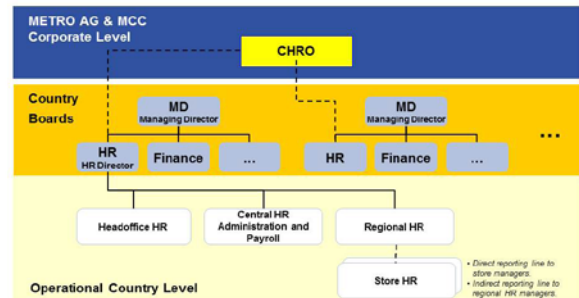
for private and commercial customers:

1. METRO Cash & Carry: the world's market leader in cash & carry;
2. Media Market and Saturn: Europe's leader in consumer electronic retailing;
3. Real hypermarkets; and,
4. Galeria Kaufhof: The market leader in the department store segment in Germany and Belgium.



The focus of the Blue Sky project was on the sales line, METRO Cash & Carry. METRO Cash & Carry is the leading international player in self-service wholesale: it is customer-focused, international, and innovative. The concept is oriented towards helping customers successfully run their own businesses and, therefore, focuses on professional customers, such as hoteliers, restaurant operators, caterers, and independent retailers. METRO Cash & carry is the largest sales line of the METRO Group, and also by far the most international sales line with about 120,000 employees working in 28 countries and 762 locations.

Overview METRO Cash & Carry Organization



Now onto the Blue Sky project. Before the project, METRO Cash & Carry completed an enterprise-wide reorganization and optimization program in which we analyzed how we were spending our time in HR. What we discovered was that we were spending around three quarters of HR's time fulfilling administrative tasks only, such as data entry, personal accounting, and time and attendance management.

The rest of our HR resources were used for HR content areas such as talent management, leadership development, and change management. The HR directors of our 28 country divisions felt that their time should be spent on more value-added work. It was quite clear that we had to change the time spent on administrative tasks and had to invest more on topics critical to our organization.

Nigge: Before we started the Blue Sky Project, the HR organization was decentralized. Each country used their own IT tools and had their own HR processes, but we were improving. Most of the HR administrators' processes were maintained by local HR. Much of the HR work was done manually.

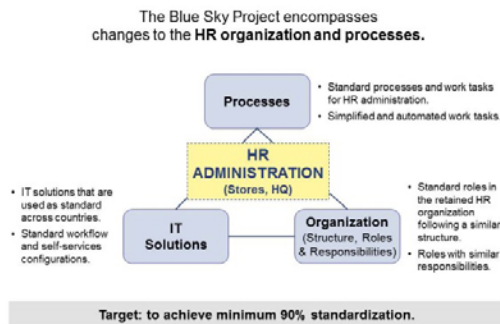
Lastly, we needed a clearer and more standardized definition of roles and responsibilities in the HR organization. As result of all this manual work and decentralized organization work, we were caught in manual processes with many redundancies within, and also across multiple countries.

WSR: What was the mission and scope of the Blue Sky Project?

Taumann: As you can see from our current state, there was a need to optimize the HR administration processes and reduce the HR costs, in order to shift the focus of HR to more value-added tasks.

Based on this clear need, the mission of the project was to streamline and downsize HR administration and reinvest the freed-up resources into what we call the HR content areas, with the goal to strengthen the value of the HR function to the business. These HR content areas were performance and talent management, employer branding, supporting business expansion, and new organizational development models. The project was executed within three years from the start of 2011 to the end of 2013.

The project scope consisted of three elements: processes, IT solutions, and organization.



The standard approach for this project was “fit-to-standard.” Compared to the traditional “fit-gap-analysis approach” this technique is not meant to specifically analyze all the process gaps across the organization compared to the global standard that we developed. Instead, when we went out in the field and

presented this global standard, we purely asked for justification on deviations. The only exceptions accepted were specific country legal requirements or a significant business reason. This fit-to-standard (FTS) approach enabled us to realize an accelerated rollout that proved to be very successful.

Another key point was to centralize all administrative and payroll tasks from all store locations. Further, we completed a detailed HR organization assessment of each country, meaning we looked at each employee and what they were doing in their processes and tasks. Based on that, we designed a streamlined HR target organization with three defined organizational roles, which we will introduce.

At the end of the organizational component of the project was the transition to the target HR organization, which included head count reduction and also reinvesting in the HR content areas.

Stauber: METRO Cash & Carry has operations in 28 countries and at that time we included around 20 countries in the Blue Sky Project. Due to resource limitations, our approach was to complete the project in waves, and we decided to have five waves within a total time frame of three years. We built a centralized expert team and a dedicated rollout team, and this team was located at our headquarters. What was new for the international HR organization was that we developed a complete knowledge tool kit to enable an effective project realization. That pre-work paid off in the end.

WSR: What were the processes or enabling technologies that were implemented, and why did you select those technologies?

Nigge: We looked first at selected processes with a high administrative volume and ability to standardize across countries. For example, we examined processes in data and document management and processes in attendance and absence management. In some cases, we centralized and optimized the payroll operations. The processes in the to-be state are supported with the implementation of a workflow-based, decentralized data entry system, which is based on SAP, but the maintenance interface was developed in-house. As a result, basic data entry is done by the store HR admins and finalized by central HR. That was not possible before we started this Blue Sky Project. In addition, we implemented a workflow-based digital personal file. We extended our self-service functionalities for employees and for managers and created a new self-service tool enabling processes such as, data changes, vacation processing, team views, and in some countries, time data changes. That is very helpful in the store environment.

Our new **Blue Sky Solutions** are key enablers to create efficient HR administration processes.



WSR: How did your organizational structure change and what were the drivers for that reorganization?

Nigge: On a country level, we defined key roles during the Blue Sky Project. The first role is store HR, the second is central HR administration and payroll, the third is role regional HR, and the fourth role is country head office HR.

Store HR is responsible for administering the digital personal files, for local hiring, maintaining data and start workflows to the central HR team, but almost everything related to payroll has been moved to the central HR and payroll team.

Central HR payroll is responsible for finalizing the workflows initiated by store HR and is responsible for complex HR matters, for example, ensuring quality and compliance for HR data and payroll data.

The third role is regional HR. Regional HR is a business partner, and responsible for multiple stores and for performing operational and business-focused HR activities like workflow planning, recruiting, personal development and health and safety.

The last role is the country head office HR. This role is located in the head office and focused on value-adding HR tasks like HR strategy, performance and talent management, compensation and benefits, legal and labor relations, and HR communications.

Taumann: I will cover the drivers for the reorganization and explain this through the perspective of one country project and how we approached the reorganization. First, we did a detailed assessment of the country organization, including what we called an employee baseline, which captured each employee and how much time each employee was spending in the different HR areas and processes.

The second step was to design a target organization for the country based on the four standard global HR roles that Elke Nigge just mentioned. The third step was to calculate the possible target ratios for each of these roles.

We also considered local legal requirements that might require more resources. For example, in some countries, some parts of the personnel files have to be maintained on hand-written paper or, in Turkey, pay slips need to be signed by both HR and the employee. These local requirements we definitely took under

consideration.

In the fourth step we took our calculations and we had an open and trust-based discussion of this proposed target organization with the HR director and the senior HR staff in the country. The discussions included staff reductions, but also what could be reinvested into value-added HR activities.

The fifth point was to have a formal sign-off of this target organization by the country HR director and the corporate HR executive at METRO AG.

In summary, the key discussion point in most of the country projects was the exact number of HR resources needed for every store, and if it was possible to combine the tasks of HR with some other store operation tasks. We had very detailed discussions and managing change was crucial because a lot of countries were afraid of losing their personal contact to HR in the stores.

WSR: What was your approach to change management with staff and employees and what seemed to work best as you were going through all these changes?

Taumann: Let's focus on the important tools and not the usual ones that you have in every project like clear communications. We can organize change management into five headlines. The first one was to gain buy-in and trust. We had a central kickoff by the HR executive team at headquarters for all countries with all key stakeholders where we clearly communicated the urgency for the project and also the benefits, but we also did a road show before the start of each country project. In the road show, we met not only with the country HR director, but also with the managing director of the country, explaining again the targets, scope, and benefits of the project.

Actually, it was quite an effort to put the kickoff and road shows together. We had a project video trailer, which was made during one of the big HR conferences where all the HR managers globally were invited and the project was first launched and explained.

I think buy-in and trust are not granted unless you are present, locally, on-site so we conducted in-person detailed workshops over multiple days. Further, we did all the training in the countries together with the HR staff to explain the new processes and solutions. Lastly, we went out for dinner with the local team or engaged in other social events and we really created a strong bond with them.

The second headline is the importance of hard facts, especially when it came to the reorganization. Hard facts mean that we did a detailed assessment of the current situation of each country's HR organization, so we knew what we were talking about, and we came with target ratios based on internal best practices by comparing countries and also external benchmarks. This gave us convincing arguments for headcount reductions as part of the reorganization.

The third headline is clear and detailed documentation of our project work. Any time during the project we could always explain exactly what we were doing, what we had done, and what was next. That included a very detailed milestone tracking system. For example, as we got close to the go-live in each phase, we had a 90-day go-live plan so the entire country team always knew what to do at what time. It didn't always work out perfectly, but it was a good tool to keep the project on track. Included in the detailed documentation, were all the process exceptions and work instructions in the local language to support a smooth transition to the new way of working.

The fourth headline was our fit-to-standard approach for all countries as explained earlier. We achieved our target of 90 percent standardization across all countries.

The fifth headline is transparency and ongoing follow-up. We went in with targets and as part of the reorganization, we also did the employee transition with each country. We tracked where each employee would go after the project was over. Six months after the project we would follow-up, get an update of the employee list to determine if everything has been done as agreed on and signed off.

We also had our IT department review how well or how much the new IT solutions were being used by tracking and measuring transactions.

Staubert: Very often, we have projects where you look only from an IT perspective, or you look only from a process perspective, or you look purely at restructuring units. Within Blue Sky we had all three levels. I think that was a very good basis in order to have a deep and sound overall approach.

I would like to point out success factors. The first one was the definition of a common approach and supporting tools.

Second was the fit-to-standard approach. For all countries, whether small, medium, or large, they all had to follow this approach. Especially in larger countries, it was quite a challenge because larger countries already had an infrastructure for themselves and were not looking for corporate support.

Third, we followed up after go-live and made sure that all reorganizations that were discussed during the project had been achieved, and new processes and IT solutions were being used.

Next, target ratios were taken from internal discussions, but also from extensive external benchmarks as well. They were all accepted in the organization, which was, of course, very helpful for us.

Lastly, we had the capability to communicate in eight languages within our central global rollout team, and being able to speak in the home country language made it easier to create bonds and good relationships with colleagues. In many international corporations like ours, colleagues speak English and sometimes language capability is limited; we felt that

we needed a different approach and wanted to use local languages. That was quite an important success criteria.

Stringent Execution: The Blue Sky Workplan.



WSR: What were the project results? And, please tell us about an outcome of the project that happened that you weren't expecting.

Staubert: First, when we discussed the business case internally, we assumed that we would save around four million euros, (around five million U.S.), and we reached that.

Second, at the start of the project, we had an HR ratio of 1 to 77, which means 1 HR person served 77 employees. With the Blue Sky project, we increased this ratio to 1 to 101.

In terms of FTE savings, we saved around a very low three-digit number of FTEs in the administrative area and we reinvested – and that was an important part of the project – we now have a significant number of FTE'S in the so-called content areas – organizational development, change management, and personal development.

The payback period of the project was 2.5 years; quite a good time period compared to other projects on an internal level at least.

Nigge: Yes, the Blue Sky project had further impacts because we reached a lean and streamlined HR organization with efficient HR services. Furthermore, we expanded the number of qualified regional HR business partners driving HR value to the organization.

WSR: What were the biggest keys to success of the project?

Taumann: In summary, now that we look back on the project, we had five to six success points:

- A qualified and well-trained global, central project team with a mix of project leaders, and process and organization experts, all fully integrated with the HR IT system experts.
- A very stringent execution and transition plan with clear milestones.
- The commitment and support from the HR executive team, which in some cases when we had conflict discussions in the countries, was very important to come to quick decisions.
- We already mentioned the change management and

the use of target ratios for the HR roles, and hard facts and numbers in the discussions.

- Fifth was the creation and usage of a comprehensive knowledge tool kit where we had ready-to-use standard materials, which included road-show materials, an assessment and transition tool, the standard processes, and a change management tool.

The last point I would like to add is that the project was not overloaded with external consultants. Actually, I was the only external consultant in the project and we took the approach of building and training an internal team. That was a big advantage since all the knowledge and experience gained on the project is remaining within the organization. Although I was an external consultant, I felt more internal, and after two years working together with the team I also made some very valuable friendships.

Stauber: When we started the project we didn't start with the idea of saving costs. The idea was to save resources in the administrative area and to reinvest in the content areas. That worked in the first part of the project, but then based on an increasing challenging business environment putting immense pressure on profits and costs, management in the countries started to argue about the need to save resources and that hit HR.

Another valuable development was that we discovered a lot of talented HR staff in the countries. Those we identified would be very suitable for future pilot projects, which we have done already. Some of the HR staff in the countries were in the limelight and that accelerated their HR careers based on the work they contributed to Blue Sky.

WSR: Thank you so much for sharing this information about your successful Blue Sky Project with our readers.



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Elke Nigge is the head of Organization Development and Processes. Within METRO, she is responsible for the standardization and optimization of HR processes and the implementation of HR IT solutions across all countries. Before joining METRO, she worked as HR senior consultant for multiple global consulting companies. She is certified in SAP HR and Project Management and author of the book Organization Management with ERP SAP (European Version). She can be reached at elke.nigge@metro.de.



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