

Intelligent personnel adjustment

Use alternatives to redundancies to optimize costs!

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Interesting for the middle
class?

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Dear ,

In September 2003, we addressed you for the first time with our DIALOGue as a personnel manager or as a person interested in practical personnel management. Since then, we have been presenting you with directly implementable problem solutions and important information from our work in articles from various HR management areas. For some, the is on optimizing capacities, while others see the quality and value-added contribution of HR management as a priority.

Once again, you can expect a varied selection of interesting and current topics in this issue.

Discussions about increasing efficiency and the associated considerations of purchasing cost-cutting or value-adding services will at the top of the agenda. Those who look for alternatives on the service market in good time will fare better. You will get a particularly good overview at our "Personal und Weiterbildung" trade fair on June 17 - 18, 2004 in Wiesbaden. And the sheer number and variety of exhibitors shows that it is worth making the effort to go to the fair. Further detailed visitor information can be found in this DIALOG or on our website at www.perso-nalundweiterbildung.de.

We hope you enjoy reading the 3rd issue.

Christoph Hauke



Christoph Hauke
Managing Director
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editorial



Intelligent personnel adjustment - use alternatives to redundancies to optimize costs! Clear communication helps to clarify objectives and involve stakeholders. By Michael Schmidt, Consultant in the DGFP mbH consultant network

PIn these times of globalization, staff reduction and restructuring are not the first essential tasks of human resources management and corporate management in Germany. What is new is the strong pressure to change, which has now also reached jobs in large companies and public administration that were perceived as secure. Also new is a management generation that knows little about the model of lifelong company loyalty and employment guarantees. This generation no longer perceives dismissing employees as taboo.

What is also new, however, is the experience from the Anglo-Saxon world that half of all downsizing and restructuring measures tend to fail. As a rule - according to a recent British survey - employees who have had to leave the company are more motivated in the long term than those who stay. This is mainly due to the lack of a strategy or an unclear strategy, a lack of integration into the corporate culture and, finally, the inadequate organization of the downsizing project and its individual processes. ⁷

➤ Strategy and communication:

All employees must be made aware that things cannot continue as before, that fundamental change is necessary and that not a single job can be kept without such change. Facts and figures, and more facts and figures, are the key to success. They should not only convince employees, but also their families. Clear motives that everyone can understand, honesty, the right timing and a clear assumption of responsibility are just as important.

Everyone involved should have a clear picture of the company after the measure, its objectives and its organizational and operational structure. Visual aids that show the before and after down to the lowest level of the organization are rarely used. They to counteract fears and rumors. Of course, a reduction in personnel that affects all levels to the same extent will be easier to communicate than a reduction primarily in the lower and middle levels. The visible efforts to retain employee talent and know-how in the new organization should also not be underestimated - the workforce is more attentive here than the management suspects.

Corporate culture: The best way to integrate the downsizing project into the corporate culture is to send a clear signal that redundancies are only to be used as a last resort. Efforts to support employees in their search for employment outside the company complement the process. A typical checklist distinguishes between internal and external measures, which include aspects such as working time accounts, early retirement, rescue companies and group and individual outplacement:

Intelligent downsizing - flanking measures internally

- Personal and behavioral dismissal
- Reduction of overtime
- Working time accounts
- Part-time
- Short-time work
- Sabbatical
- Internal personnel leasing
- Expiry of trial employment contracts
- Reduction of atypical employment relationships
- Reduction in working hours
- Salary reduction/pay cut/remuneration corridor
- Partial retirement
- Early retirement scheme
- Failure to return from parental leave, military or alternative service, deployment abroad

Intelligent downsizing - flanking measures external

- Management buy-out
- Receiving companies
- Employment companies (BQG)
- External personnel leasing
- Strengthening employability
- Outplacement
- Foundation of "Ich-AGs
- Contracts for work/service contracts
- Outsourcing, insourcing, project management
- Placing staff with customers and suppliers
- Domestic and international transfers
-

Maintainng quality and meeting deadlines at the same time is difficult, but not impossible. Contradictory and excessive targets set by both company partners with regard to the reconciliation of interests and the social plan often have a counterproductive effect. This is particularly true ➤



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➤ for the showdowns that are unavoidable in the media age. They confirm the "victim role" of those affected instead of actively securing jobs or winning new ones. Peter F. Drucker's guiding principle on the ultimate mission of management also applies to the task of human resources: "The ultimate task of management is to make people work productively".

Planning and organization: It starts with a detailed time and cost plan with at least three alternative scenarios for the best, most likely and worst case scenarios. It must be tailored to all those potentially affected. Equally important is a policy document that clarifies responsibilities in top management, project management and human resources. Figures illustrate the correlation between the time required, the costs of staff reductions, the overall restructuring costs and the expected benefits for all scenarios.

The following points should be planned:

- The roles of those involved and their relationship to each other, for example from

Company management, HR management, legal department or external lawyers and employers' associations

- Who identifies those affected and who ultimately decides in the interaction between staff - line management and staff - employee representatives?
- When, where and how do line management or personnel implement measures and who communicates with whom?

A communication plan for public relations that addresses customers, suppliers, the media, banks and the community the picture. In practice, a regular status report, weekly or at least after each key event, which documents the results of each negotiation on the reconciliation of interests and social plan and reflects the comparison of the target and actual situation, has proven its worth. Finally, the end of the measure is officially declared. Now begins the effort to motivate the remaining employees, the most important part of the overall project alongside supporting those who are leaving the company. ■

360° feedback systems: Interesting for SMEs? Jörg Michael Scholz explains the opportunities and risks of the tool. Our editorial team conducted an interview with him.

Are "360° feedback systems" still appropriate today - or are they a "fashionable tool"?

Scholz: Employee and supervisor appraisals have been "standard" for a long time. Since the nineties, "360° feedback systems" have been established and are now more than

a fad. They are popular because the complex assessment processes open up good opportunities for strategic realignment and monitoring their success. These instruments can uniquely promote motivation for change processes in companies and top performers.

➤



➤ *How do companies use the tool today?*

Scholz: Companies receive with "360° feedback systems" provide clarity about their strategic orientation and its implementation. They determine the extent to which feedback recipients and their teams actively support the company's strategic targets. Some companies use them to further develop their corporate culture by raising awareness of important values in management and anchoring feedback, transparency and trust in the communication culture. Sales-oriented companies are realigning themselves with the market through "360° feedback systems" by surveying their customers, focusing on their needs and thus supporting internal and market-related change processes.

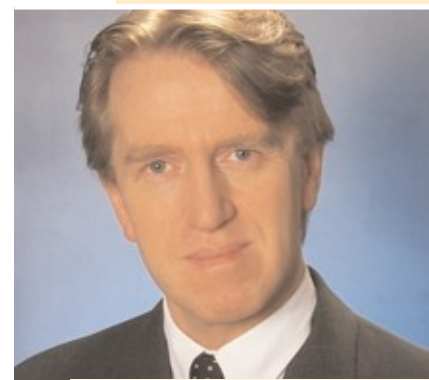
What are the pitfalls of the "360° feedback system"?

Scholz: Success does not on chance, but on the efforts made in designing and implementing the system. Example: In a successful "top-down" strategy, it is not only the survey initiative that comes "from the top". Rather, the first level becomes a role model also accepting feedback as an active part of the survey. Comprehensive consultation is essential for trust and openness.

introduction that involves all participants. During implementation, the degree of self-determination should be as high as in that the feedback recipients, who are usually named, are free to decide which persons they involve as feedback providers. Feedback is always voluntary rather than controlled. Results are presented in a report in a comprehensible manner, including the derivation of strengths and development potential. The feedback recipients implement the resulting measures voluntarily. The following therefore applies: anonymity where necessary, openness where possible! Only the project team and the feedback recipient have comprehensive knowledge of the data. The data is deleted after an agreed period of time.

What advice would you give small and medium-sized companies in comparison to large corporations?

Scholz: Smaller organizations also feedback systems, provided there are at least four feedback providers at the same level, above or below. Standardized procedures are faster and more cost-effective. An experienced expert or partner must take on the project management function! Large companies, on the other hand, should develop an individual survey, as organization-specific survey fields and cultural aspects can be determined in addition to a basic survey. ➤



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interview

➤ The supplementary questions can be formulated in a needs- and target group-specific manner and provide a more profound result through expert ratings.

What are examples of current, innovative survey content in organizations?

Scholz: Changes are putting corporate cultures to the test: global empirical studies show, for example, the "soft management rebel". It calls for the replacement of the egocentric management environment with a different approach to power and cooperation. Current demotivation research identifies six management deficiencies that contribute to enormous costs: surveys are used to specifically identify and transform employee dissatisfaction.

What technical innovations are shaping the development of feedback?

Scholz: Login or email surveys are not only faster and more cost-efficient than the paper version. They also greater data security.

Your conclusion?

Scholz: Careful preparation with sensitivity for openness, a trusting atmosphere and anonymity - where necessary - provided: No other personnel tool can have such an impact on individuals, departments and the entire organization in such a short time as a high-quality "360° feedback system". ■

Variable remuneration in the collective bargaining sector: flexible approaches that are geared towards specific tasks have a future. Rainer Fröhlich, management consultant from Ratingen, explains in this interview what is important.

➤ *In your experience, which options for variable remuneration in the collective bargaining sector are effective?*

Fröhlich: The same standards can be applied to the design of contemporary variable remuneration in the collective bargaining area as in the non-tariff area or for managers. This applies in particular if a consistent remuneration system is to be introduced, for example depending on performance targets, which has been supplemented with a company component as part of a corresponding management model. It goes without saying that target-group-specific alignments are a matter of course.

What criteria should variable remuneration or profit-sharing be on?

Fröhlich: Position-specific performance targets that are linked to company or divisional successes are also suitable for the collective bargaining sector. The targets should relate as closely as possible to the specific task. Quantitative, qualitative and personal targets can be agreed. It is important that the employee can understand and influence the target and its evaluation. This requires transparency of the variable remuneration and its criteria. In order for incentives and rewards to be effective, the system must be flexible and manageable.

What do you think about introducing performance indicators that allow bonuses to be broken down to the employee's performance?

Fröhlich: Performance indicators that are intended to lead to individual bonuses in the traditional sense have had their day. Individual performance bonuses that have no relation to overarching divisional and corporate goals no longer meet today's high demands in companies.

How do you assess the practical benefits of target agreements as a basis for variable remuneration in the collective bargaining sector?

Fröhlich: Stronger dependencies and less freedom to make decisions make it more difficult to evaluate individual performance and earnings contributions in the collective bargaining sector. However, a mix of individual and team targets can also be used to create variable remuneration components with an incentive effect.

What proportion of annual income should be achievable as a variable component?

Fröhlich: A volume of around ten percent should also be aimed for in the tariff area. However, variable remuneration as an on-top benefit is not absolutely necessary. In many cases, existing remuneration structures can be analyzed and, for example, benefits above the pay scale or voluntary special payments can be converted into a variable remuneration component.

How do you see this topic developing in the future?

Fröhlich: The constant change in the world of work calls for a future-oriented remuneration structure that includes variable remuneration components. This change in remuneration policy has so far been approached rather hesitantly due to numerous collective bargaining restrictions. However, there is now more and more movement in this area. Changed framework conditions and structures and the associated remuneration policy are already part of some collective agreements. It would be conceivable for the collective bargaining partners to agree on basic remuneration, but for the structure of variable components to be regulated at company level. ■



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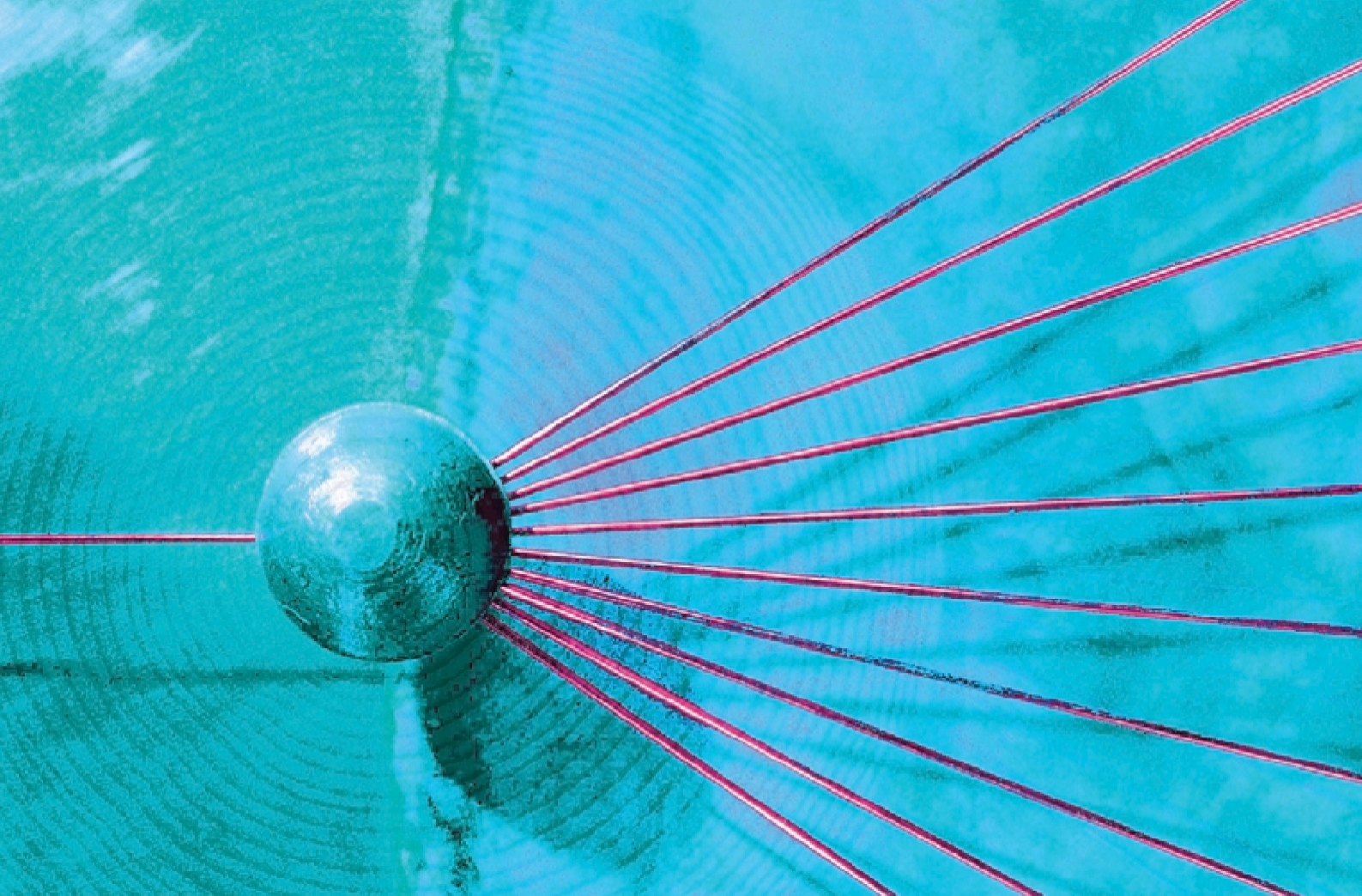
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Personal & Weiterbildung" trade fair - a source of inspiration for professional HR and training work.

Dhe Rhein-Main-Hallen in Wiesbaden will once again be the focal point for around 180 exhibitors on June 17 and 18

as well as HR and training managers from German companies. In five halls, the trade fair presents visitors and congress participants at the twelfth DGFP Congress with a comprehensive overview of the market. Numerous products and services reflect the entire spectrum of personnel management.

At a glance, what your visit will bring you:

- You will find a solution for your tasks
- You get to know innovative products and services
- You make new and lasting contacts
- You can compare
- You exchange experiences with colleagues

On the trade fair podium, over 100 short presentations every half hour will provide information on current trends and new practical solutions for HR work. You will learn, for example, how companies can in their employees' pensions even in difficult times, how HR managers can secure the knowledge that is tied up in the company or how to find the right employees and promote them in the long term. ■



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12th DGFP Congress: "People make the difference"

The German Association for Personnel Management (DGFP) is inviting you to its twelfth Personnel Management Congress on 17 and

June 18, 2004 in the Rhein-Main-Hallen in Wiesbaden. More than 30 experts from business, science and consulting will current challenges and innovative practical examples in human resources work. The motto of the event is "People make the difference."

The four parallel congress forums will focus on the topics of "cyclically oriented personnel management", "total compensation", "personnel work in the middle class" and "professionalization of personnel management". For the first time at the DGFP Congress, an overview of the current state of research on the respective key topic will be given at the beginning of each forum.

Highlights in the plenum

Highlights of the congress are the presentations by top-class speakers in the plenary session: Swiss top manager Barbara Kux, Senior Vice-President and Chief Procurement Officer of Philips, will speak about "Entrepreneurial success factors and leadership in the 21st century" in the opening plenary session. Dr. h. c. Andreas Schleaf, CEO of Seat, will shed light on the "success factor of HR work" and its contribution to corporate success in the plenary session.

At the beginning of the second day of the congress, Stefan Lauer, Chief Human Resources Officer of Deutsche Lufthansa, discuss the role of "Human Resources Management in the area of conflict between basic and full-service provision". In the closing plenary session of the second day, former Federal Minister and CDU General Secretary Dr. Heiner Geißler will speak about the "Ethical foundations of an economy in transition". An overview of the "state of the art" in international

The two US professors of Human Resource Management, Randall S. Schuler and Susan E. Jackson, give an overview of human resource management.

Personal-Talks

Prominent personalities from politics, sport and culture will also provide new perspectives on questions of employee management and performance motivation in the various "Personnel Talks" at the congress. For the first time, the DGFP Congress will present the new DGFP Young Talent Award. e. V. and the Haufe Media Group for the best dissertation in the field of personnel management. ■

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