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Summary of a values-based Approach to Integrated Talent Management for Sustainable Enterprise Growth

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## Summary

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Amway is a global direct selling corporation with US\$10.9b in sales revenue and 20,000 employees spanning the globe. In 2007, a new Growth Through Innovation strategy was initiated with one of its priorities being to become a high performing organization in order to sustain growth for the long term. To enable this strategy, a team of senior business leaders was convened to formulate a high level approach developing talent for long term growth.

This case study will highlight the resulting integrated talent management strategy and processes that has been implemented to support Amway's growth strategy. While as with any organization, it is impossible to draw a direct causal relationship between the implementation of Amway's integrated talent management strategy and business growth, the company has experienced year-on-year growth since the intentional implementation of integrated talent management processes to drive high performance.

## Background

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### **Compassionate Capitalism in Action**

Founded over 50 years ago, Amway, which has global sales of more than US\$10.5 billion is a privately owned direct selling company based in Ada, Michigan. Co-founded by Jay Van Andel and Rich DeVos, the company is built on the vision of Helping People Live Better Lives. It is a company that embodies and takes seriously the principles of “Compassionate Capitalism”, which is about making available opportunities for people to help themselves.

This principle is not just foundational to the way the company works with its distributors (called Independent Business Owners or Amway Business Owners) but also in the way it manages its more than 20,000 employees worldwide. This has led to a corporate culture that in terms of Cameron & Quinn’s organizational culture model, is one that is very focused on human development and participation as its organizational approach for effectiveness. As a result, there is a strong belief in the development of people, empowerment and open communications. While companies generally make public declarations that they believe in the development of people, Amway, because of its core beliefs and values, not only actually does it but has a tendency to take it to an extreme at the expense of the make money at all cost behaviors so valued by Wall Street analyst driven public companies.

This however, does not mean that Amway is not disciplined in its approach to doing business. Instead, again in the terminology of Cameron & Quinn, the culture is about “Doing Things that Last” vs. “Make a Fast Buck Today” regardless of societal impact. Even the very business model Amway chooses to bring its products to market evidences this. Companies talk about empowering their people, particularly their frontline customer facing staff. In Amway’s case, it has taken empowerment to an extreme by having a sales force that is made up of independent business owners.

As a result of the strong culture of people development, the concept of Talent Management as the building and development of internal talent for sustainable growth of the corporation is very much an explicit part of Amway’s Strategic Agenda.

# A Values-based Approach to Talent Management

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## Design of Talent Management Approach

While it may not be usual to discuss Talent Management in the context of organizational values, it is virtually an expectation within Amway. At the same time, the corporation holds an almost fanatical belief that the development of people is critical to its long-term success, just as dearly, it also holds the corresponding belief that simply having intelligent, competent people in an organization is not sufficient to sustain its continued success. As Ralph Larsen, former CEO of Johnson & Johnson from another era of that company puts it; “No matter how clever or competent [staff members] are, they must also have sound values and a powerful sense of integrity. In a world where corporate reputations built over decades can be destroyed overnight, it is absolutely essential that companies employ and are represented by people of character.”

Since its founding in 1959, Amway has been grounded in the four basic fundamentals of Freedom, Family, Hope and Reward. There is a strong belief that both personal and economic **Freedom** must go hand in hand. It is also about the freedom to explore the full and exciting range of one’s potential. Emanating from the fundamental of Freedom are the company’s values of Personal Responsibility and Integrity. **Family** is about having a consistent set of values and the framework for growth to allow individuals to thrive, which drives our values of Partnership and Personal Worth. With **Hope**, there is the power to transform our lives in positive ways as well as opening the door of possibilities for others, embodied in our value for Free Enterprise. Finally, **Reward** is about the shared action of giving and receiving—to be recognized for one’s commitment and valued for our contributions. The fundamental of Reward drives our value of Achievement. These Founders’ Fundamentals and Values are not scripted but are timeless and built into everything that Amway does across the world. See Figure 1.1.

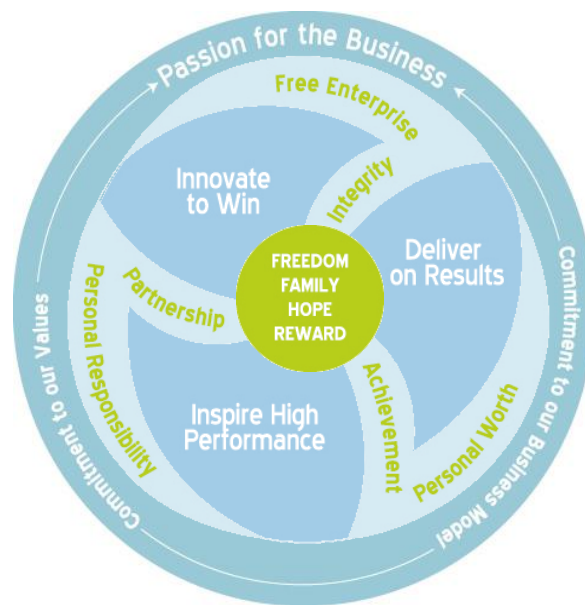


Figure 1.1

The Founders' Fundamental and Values are at the core of Amway's vision for integrated talent development vision, which is about driving the development of talent across the Enterprise to enable Amway to be consistently recognized globally as a high performing values-based employer of choice. The outcome of this vision is an actively engaged and performance driven agile workplace that has a leadership culture, which emphasizes the intentional development of people within a globally diverse environment to enable a culture of innovation.

To put into operation this vision, Amway has put together a Global Center of Expertise (CoE) within the Enterprise Human Resources organization that is responsible for and able to integrate the various aspects of Talent Management from the point an employee joins the corporation to the point where they leave the corporation as a better human being for having been touched by Amway (see Figure 1.2). By keeping the different aspects of Talent Management within one group, Amway has been able to capitalize on the synergistic aspects of integrating Talent Management as one complete process for the development and growth of employees consistent with our Values.

## Developing Talent for Enterprise Growth

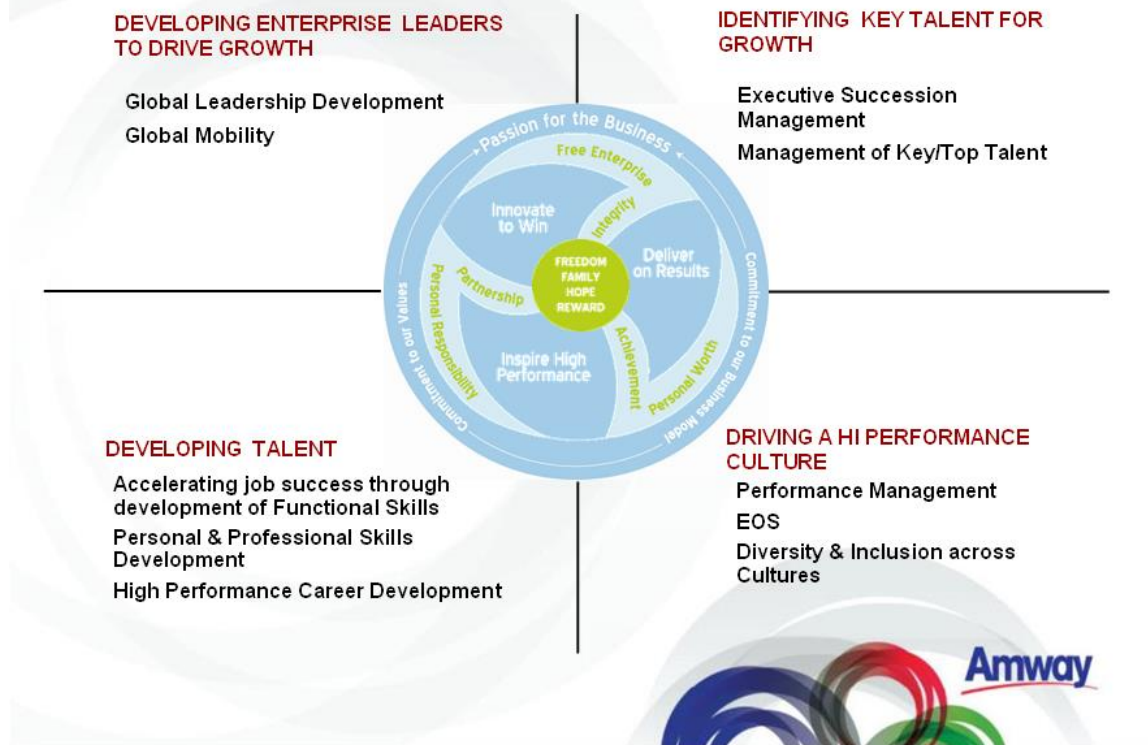


Figure 1.2

The remainder of this case study will highlight the key components of this framework.

## Development - It All Starts with Performance Management

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In 2007 Amway, as part of the implementation of its Growth Through Innovation strategy, brought together a cross functional team of senior leaders from around the world to address the issue of making the corporation a global high performing organization. One outcome of the deliberations was the institution of a global performance management process with the dual aim of differentiating and paying for performance as well as placing emphasis on the development and growth of individuals for both engagement in order to drive an agile high performing culture. Figure 1.3 shows the major parts of the process that can be broken down as follows:



Figure 1.3

On the surface, Amway’s performance management process is very similar to any other performance management process on the marketplace. However, as with most developmental matters, the difference lies in how we execute on the process.

To begin, the process is truly global, not only in just the flow. The core of the process is a common set of 4 Global Leadership Competencies that are consistently applied worldwide. Unlike many organizations that take the competency development process to an extreme level of refinement, often with the justification that it is customized for each part of a corporation, Amway, through the cross-functional team of senior global leaders made the decision to take a more pragmatic approach of focusing the enterprise on competencies that are critical to drive high performance for long term success. Rather than spending time defining the typical “soft skills” competency library from training providers, the senior leaders at Amway developed the core Global Leadership Competencies by asking the question; “What will it take for the employees worldwide to drive long term success at Amway?” The result of answering the question is embodied in the 4 competencies of Innovating to Win, Inspiring High Performance, Delivering Results and Having a Passion for the Business. While it may be impossible to prove definitive direct causation, since the implementation of the 4 competencies to drive on-going employee development and the payment of merit worldwide, Amway has been growing at a very healthy pace in both its revenue and profits.

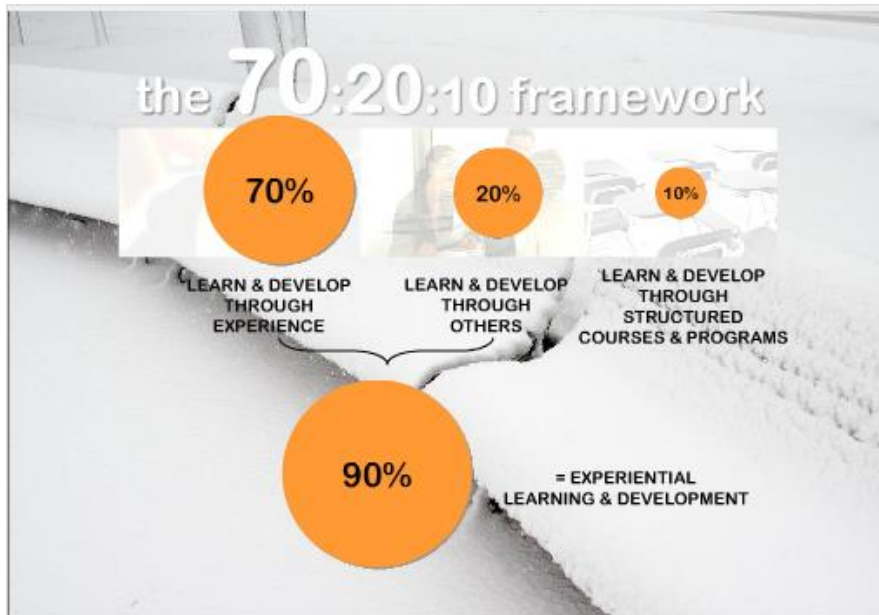
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In addition to the direct linkage to pay, two key elements that contribute to the success of Amway's global Performance Management Process is the Alignment of Objectives as well as the Calibration of Performance at the end of each performance cycle. On Alignment, once objectives are set, leaders participate in alignment sessions where leaders within each Amway Division share their own and their team's objectives with each other, not to determine who has the more "important" or "meaty" objectives but to ensure that the key areas of the annual operating plans are covered and there is visibility to who has responsibilities for which area as well as how the areas impact each other. The alignment sessions are in essence open communication sessions between leaders of different groups. In order for these alignment sessions not become another "HR logistical procedure" that take line leaders away from doing real work, these meetings, since they are meant to be open communication sessions are often done in conjunction with already scheduled leadership meetings. We have found this approach to be more meaningful for line leaders compared to highly structured but often considered "check the box" exercises that some companies may prefer. However, for such non-HR controlled process to work well, leaders across the organization need to be not only at a certain level of maturity but they also need to view aligning objectives to ensure that no critical components of the annual operating plan is unintentionally dropped as a critical part of the regular strategic planning cadence.

The other unique area to Amway's Performance Management Process is the Calibration of Performance. One common criticism of performance management is often the personal biases and uneven rating leniency between different leaders. As part of Amway's penchant for open communications, leaders come together to calibrate the performance ratings of their teams, putting leaders in a position to be conversant with the performance and development needs of their people.

This in turn connects directly to what makes Amway's global Performance Management Process a truly developmental process rather than just a standalone pay process. The results of this process are closely linked to how the organization provides developmental resources to allow employees to be self-directed and yet guided by their managers in their personal growth. Here, although Amway utilizes technologies such as the SumTotal Learning Management System to deliver and track learning programs, it only forms a small part of what is truly considered development within Amway. The corporation subscribes to the 70-20-10 model (see diagram below) for talent development and as such, the bulk of an employee's development is driven through experiential learning rather than formalized in-classroom or traditional eLearning programs.





On the SumTotal Learning Management System (LMS), its use within Amway for employee development was driven largely by the fact that it is also Amway's LMS for the delivery of learning content to its 9 million distributors worldwide, who are not Amway employees. Given that Amway has just over 20,000 employees, it made sense to leverage the system for the delivery of internal development content as well as development content for the Distributors. Given the size of distributor base, the SumTotal LMS was originally picked because it was evaluated as one of the few systems that could handle the distributor population worldwide, be customized to the required specifications and yet be economically feasible.

Simultaneously, as Amway addresses the development needs of its employees, it is also paying attention to the identification and development of its leaders and key talent that can take the corporation to its growth aspirations.

### **Developing Leaders and Key Talent**

In the identification of leadership potentials, the basic premise that Amway leans on is the notion that leadership is a job with its required competencies and not just used as another way to reward performance. Amway continues to take care of and compensate high performers and those that perform on the leading edge of their profession; but it also recognizes that not everyone is capable or has aspirations to take on a people leadership role. The identification of potential people leaders goes beyond the traditional replacement planning that drives many organizations' succession planning process. Once potential leaders are identified, they are provided with intentional development as well as attention to their retention. Amway recognizes that this is a fluid and dynamic process.

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To identify people leadership potential, Amway departs from the common market practice of using the Lominger 9-box grid that compares Potential vs. Performance. In the typical 9-box grid, in addition to mixing two different timeframes ie Potential is about the future whereas Performance is about the past, it also results in the odd possibility on the grid of someone being labeled a High Potential but a Low Performer. This is often rationalized as someone who has been recently hired whom the hiring manager deems a high potential even though they have yet to demonstrate their performance.

In Amway's view, all new hires are high potentials. Otherwise, they would not have been hired in the first place. However, to be a real High Potential within Amway and deserving of "extra" developmental resources, a High Potential must be able to sustain at least 2 performance cycles of high performance. To ensure that this is the case, Amway's Top Talent Process for identification of High Potentials begin with a 9-box grid that defines scores on Amway's 4 Global Leadership Competencies and Performance scores on objectives for 2 performance cycles.

*To insert 9-Box Grid diagram*

This results in a situation where all High Potentials within Amway are by definition, also already High Performers. However, not all High Performers are necessarily High Potentials. Also, new hires, regardless of how high their personal potentials may be, must be able to deliver on their "potentials" for at least 2 continuous performance cycles before consideration is given to invest any special developmental resources on them.

While this philosophy does sometimes frustrate impatient high profile new hires, it does create an environment that signals that high performance is attained through demonstrable results and not simply through "smart-talk". It also allows the organization to value current employees that perform over high profile new hires that may have performed in other organizations but have not yet had an opportunity to demonstrate that their previous successes are transferable to the Amway environment.

Once High Potentials are identified, the critical element to the success of the process is monitoring their development. Here, Amway's leadership development activities are grounded on an adaptation of the Charan, Drotter & Noel (2001) Leadership Pipeline Model (see Figure 1.4). As leaders move through different critical passages, the goal of the leadership development programs, defined not just as training programs but the full spectrum of developmental experiences, is to facilitate the leaders' ability to make the turns in the pipeline by providing them with the appropriate skills, time orientation and work perspectives to be effective at their level.



Figure 1.4

The programs are implemented holistically utilizing a blend of technology-leveraged learning, classroom experiences and stretch assignments, as well as action learning programs.

# Global Mobility: A key strategic developmental tool

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Even though Amway is headquartered out of Ada, Michigan in the US, more than 90% of its revenue is derived from outside of the US. To continue to be successful, Amway needs to develop competencies of being a truly global corporation. To facilitate this, a critical part of the company's leadership development program especially for high potentials within its leadership and key talent ranks is the utilization of a comprehensive global mobility program as a key strategic developmental tool.

The basic premise of this program is a 2x2 framework that considers an assignment's developmental as well as business values. At Amway, this framework is applied across the corporation regardless of whether it's an assignee moving from the US to another country or a foreign national moving to the US or assignees moving between two non-US locations. See figure 1.5 to understand the 2x2 framework.



Figure 1.5

At the top right hand corner of the framework is the typical assignments that most multinational corporation would use. One could consider this your standard expatriate assignment. The bottom right hand corner accounts for Amway’s need to at times send someone overseas to fill technical needs.

On the left side of the grid, the top quadrant allows Amway to manage assignees who may be somewhat earlier in their career and could be going out to gain global experience through roles that may not be at an affiliate Managing Director or senior leadership level. Finally, the bottom left quadrant allows the company to manage employees who volunteer to go on oversea assignments, most times for their own resume building objectives. While it may on the surface seem like a risky proposition, the company is willing to assist such forward looking employees, provided they have demonstrated a certain level of performance. This is another way that Amway demonstrates its commitment to the development of talent.

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## Conclusion

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### **Does it Matter?**

While Amway has put in place a framework to manage the development of its employee talent in an integrated manner, the critical question is whether it matters in the broader scheme of the growth of the business. While conventional wisdom and marketplace studies have generally shown that there is a positive correlation between an organization's emphasis on the development of its talent and the performance of the corporation, care should be taken to automatically assuming that there is a causal relationship. Having raised the caution, in the March 2008 issue of the Harvard Business Review article entitled "When Growth Stalls," Matthew S. Olson, Derek van Bever and Seth Verry, have been able to explain that based on long term studies of successful and unsuccessful companies, one of the top four reasons growth in companies stalls is because they have a shortfall in talent.

As such, while questions remain on whether an Integrated Talent Management approach will directly cause a company to be successful, at least for companies that are growing, the lack of appropriate talent will certainly cause its growth to stall. Even then, Olson et al did not advocate for the tracking of talent management through traditional financial return on investment methodologies. In Amway's case, the tracking of the impact of talent management resources has been done on a holistic basis using an approach that has been adapted from a model first developed by The Sloan Consortium that aims to measure and understand overall organizational impact as opposed to just measuring individual Talent Management program effectiveness.

The model (see Figure 1.6) is visualized as a 5-Pillars approach, which like the pillars of a building bears equally the weight of holding up the corporate and the weakening of any single pillar weaken the entire structure. The 5-pillars, represented by the figure below are Cost Effectiveness, Resource Efficiency, Engagement, Management Satisfaction and Resource Access

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Figure 1.6

For more information on the application of this 5-Pillars approach to organization learning, please see the November 2010 issue of the Sloan Consortium's peer-reviewed Journal of Asynchronous Learning Network (JALN).

With Amway, having installed a global approach to Talent Management, it should be well placed to continue to achieve its growth aspirations as well as becoming a values-based employer of choice.



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