How Doosan/Bobcat Constructed Competency Models

salary.com™

Leading provider of compensation and talent management data and software

3,800 enterprise customers, publicly traded on Nasdaq

Offers industry's most comprehensive set of competency data
- Job-competency models provide framework for all typical job families and jobs at all levels

Competencies help power
- Talent management
- Performance management
- Compensation planning
- Succession planning

Our Agenda

- Introduction to Doosan and the Bobcat Acquisition

- Opportunities leading to the People Project

- The business case for creating competency models

- Our approach to the project

- The role of technology in our process

- Outcomes and Lessons Learned

- Q&A

DOOSAN – THE OLDEST AND FASTEST GROWING COMPANY IN KOREA
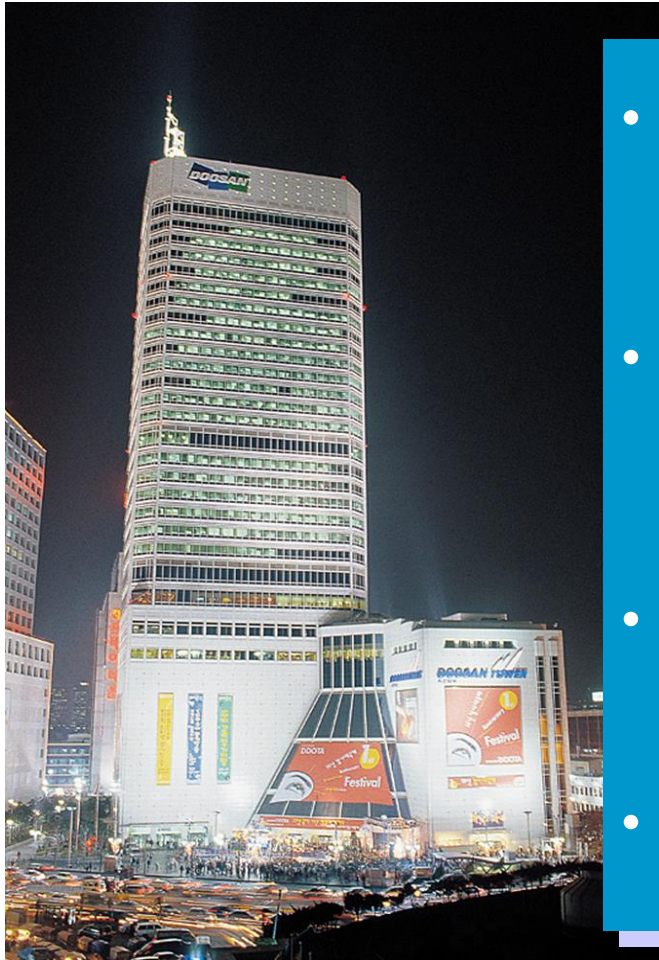
- 1st Modern Business Company in Korea
  - Established in 1896

- One of Top 10 Largest Korean Chaebols

- Strong Global Presence

- Headquarters in Seoul, South Korea

Doosan's Transition from Consumer Products to Infrastructure Support

From 1896,
the first modernized
local store
in Korea

Until 1990s,
a major player
in consumer
products in Korea

Today, global
leader in
Infrastructure Support
Business (ISB)

2009 Snapshot

- Sales:
  US $20.2 Billion

- Operating Income*:
  US $1.3 Billions

- Employees: 36,400
  Employees outside of Korea:
  17,200 in 33 countries

- Overseas Subsidiaries:
  56 in 33 Countries

*Earning Before Interest & Tax

The Bobcat Acquisition

Dec 2007 - Doosan Infracore's $4.9b Acquisition of Ingersoll Rand assets
*   Bobcat, Portable Power, Attachments business units
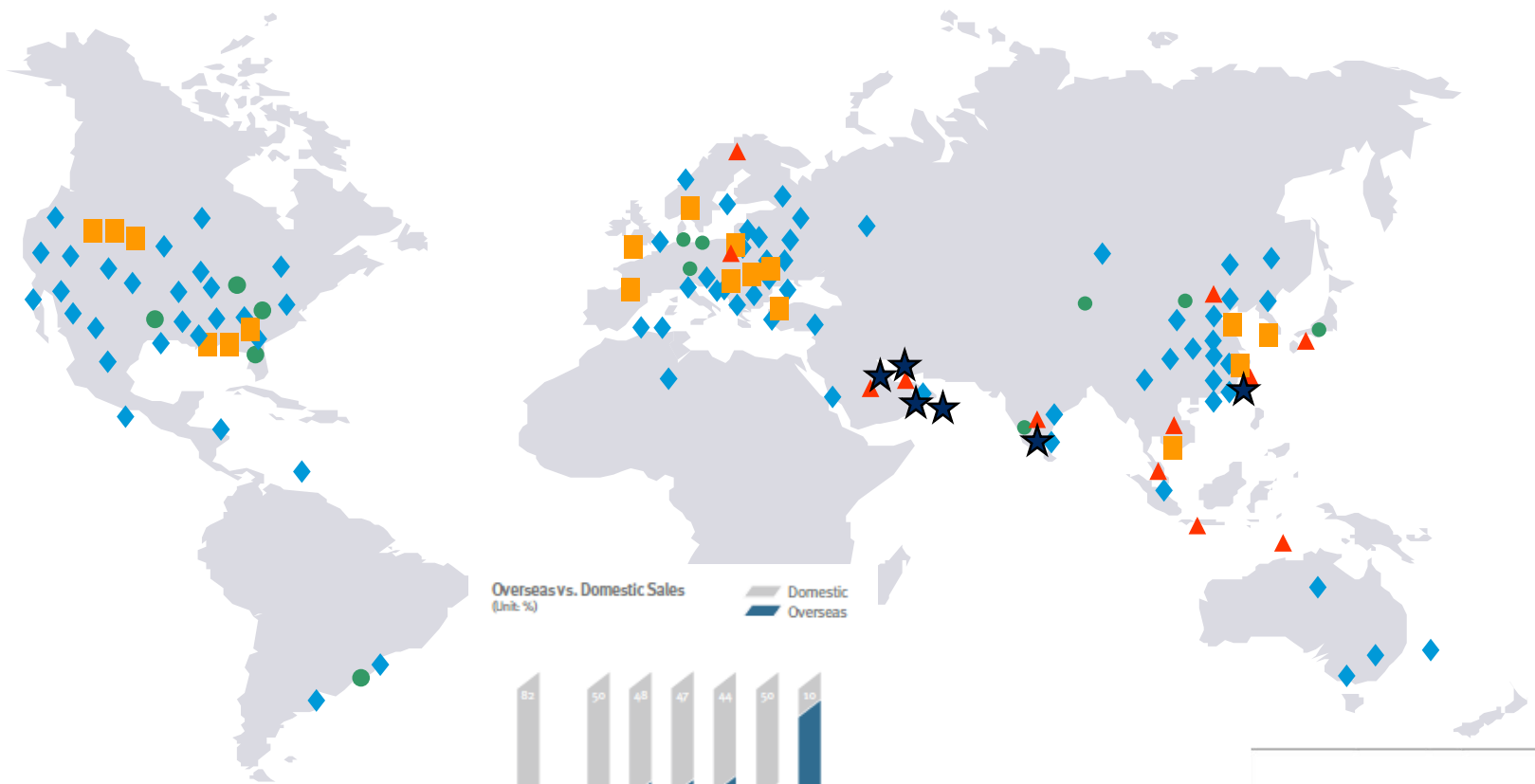*   Largest foreign acquisition by a Korean company

Four motivating factors:
*   Globalization of Doosan
*   Synergies between Bobcat and Doosan's heavy construction business
*   Acquisition of Western leadership
*   Growth through acquisition necessary
    *   Part of effort to become top 5 global infrastructure support business

DOOSAN INFRACORE - GLOBAL PRESENCE

Doosan Group
- 🟢 Subsidiaries 91
- 🔺 Branches 45
- 🔷 Dealers 3,800

Infracore/Doosan Heavy
- 🟧 Factories 29
- ⭐ Major plant projects

Overseas vs. Domestic Sales
(Unit: %)

- Domestic
- Overseas

	'98	'05	'06	'07	'08	'09	'15E
Domestic	82	50	48	47	44	50	10
Overseas	18	50	52	53	56	50	90
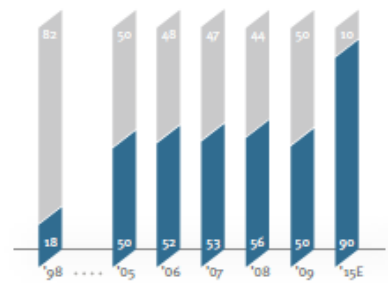
Global recession particularly detrimental to construction industry
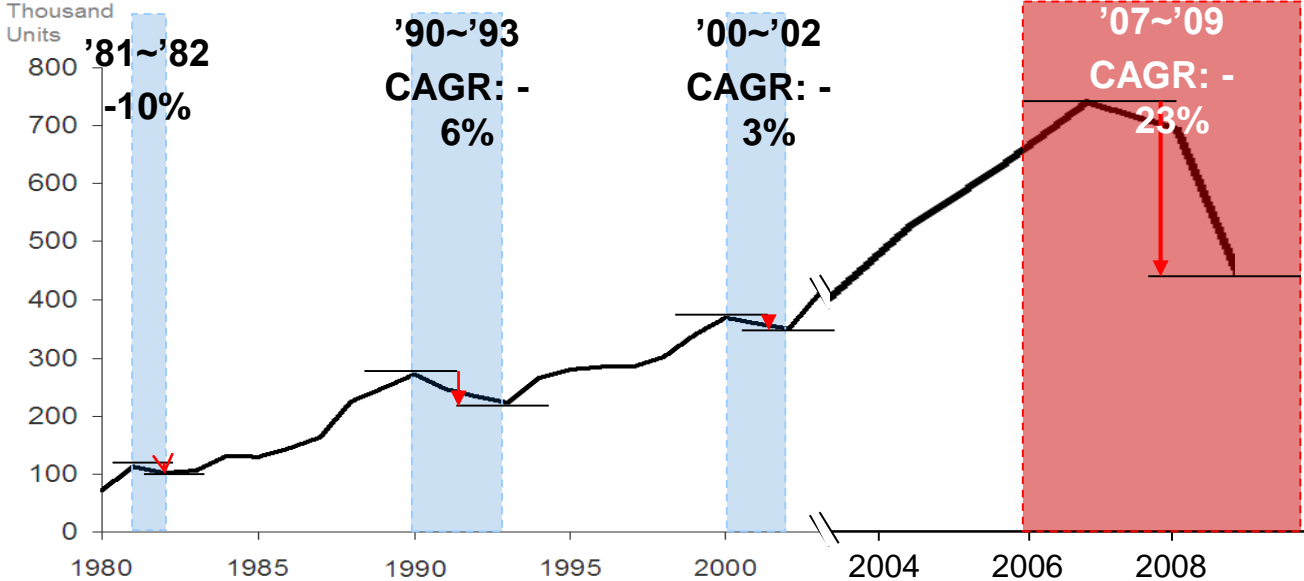
• Market size based on HEX, WL, MEX, SSL/CTL, TLS only (Source: DI CE BG & DII LRP)

Doosan Motivated Toward Competency Development

Competency initiative started before acquisition and worldwide recession

Acquisition, recession motivated greater focus on key performance drivers

Cultural challenges continued to persist

The business was thirsty for people performance data
- New requirement to link individual performance to business drivers

Acquisition integration put spotlight on talent mobility, retention issues

Competencies are abiding, stand test of time in recession and growth

Move to Competency Development Started at the Top

Chairman Park Chose People Program as his legacy to company
- Executives sponsored development of competency models

Chairman, CEO Familiar with Western business practices
- Both Earned MBAs in United States
- Understood Western approaches to
  - competency modeling
  - performance management
  - succession planning

Leadership measured by their commitment to Doosan People Program
- Must demonstrate ability to apply its processes within their teams

Program provides platform for assessing leadership talent
- Leverages language and approach unique to Doosan

Doosan's Vision

"Vision/ value proposition"

Global Top 3 CE leader
- **Best of Breed product offering**
- **Quality service**
- **Easy to do business with**

"Strategic themes"

| Customer-driven local market leadership | End-to-end support over product cycle | Core Technology Development | Best-in-class operational excellence | New growth opportunities |

"Organizational enablers"

Global leadership talent

Integrated process and system

Our Challenge

- How to engage our employees and create a sense of urgency during the downturn

- How to accelerate the integration activities

- How to create a common language, platform and system of measurement for employee performance globally

- How to define what is important for individual and team success at Doosan

Doosan's People Program – a Key Component of Integration

Drive integration and form one global culture.

People Program

| Performance Management | Doosan Competency Model Assessment | Development Plan | Key Positions | People Session |
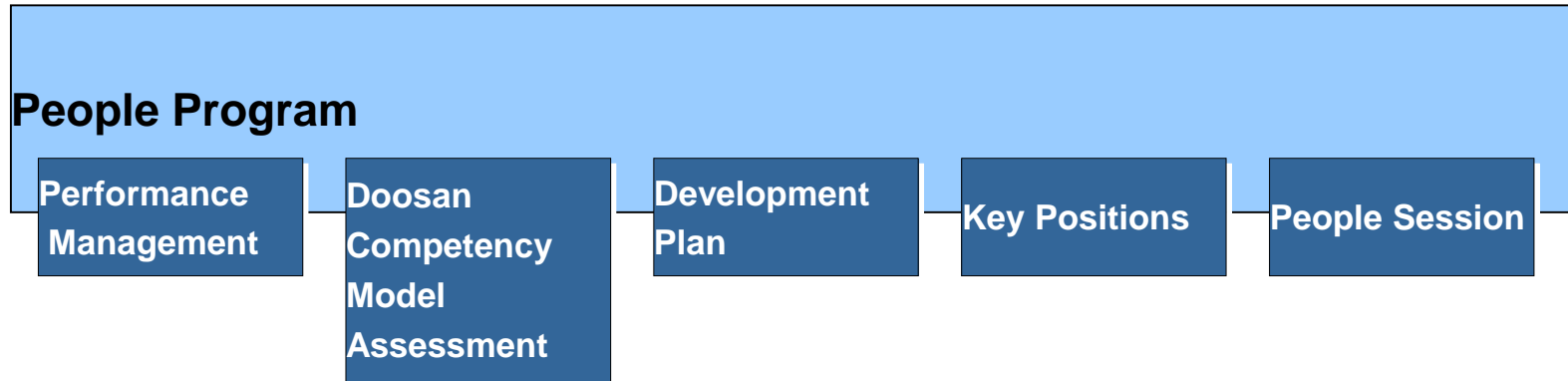
The Doosan/Salary.com Partnership

Why we selected Salary.com as our partner
- Salary.com provided a consultative approach, recognized our unique needs
- Proven world-class experience in developing competency models, including at GE
- Needed a partner to stay with us through design, roll out and execution of the program
- Sought a partner who would develop valuable relationships with our executive team

salary.com™

Emerged as the clear choice for Doosan

Our Approach:
Developing the competency models

Requirements of the Doosan Competency Model

A one-size-fits-all approach would not be sufficient

Models needed to differ by level

Our first step: define the levels of the organization:

Executive: Direct Reports to CEO (N) and their reports (N-1/2)

Team Leader: Members of the functional and regional leadership teams (N-3/4/5)

Manager: Individuals who manage a team or have at least one direct report

Individual Contributor: Specialists and individuals with no direct reports

Additional Considerations for the Doosan Competency Model

Competencies needed to answer the question
"What does an excellent performer look like in a particular context?"

How does behavior change across different leadership levels of responsibility?

Simple

Validated

Leadership focused, to drive qualities across bands and levels

Competency Iceberg Model

Knowledge

Skills

Attitudes and Values

Traits & Motives
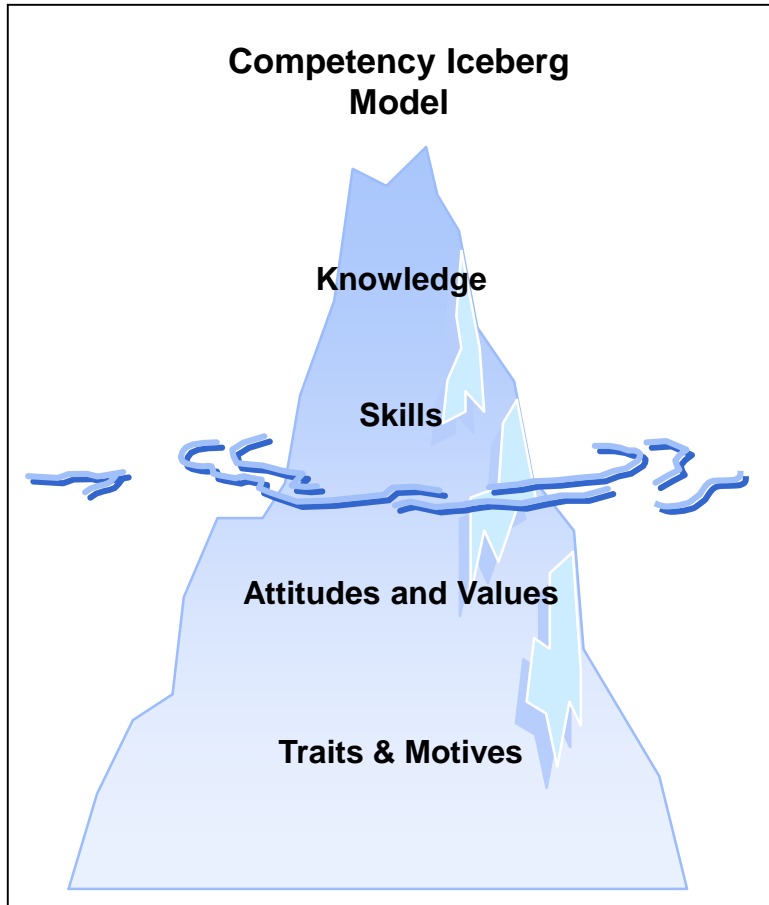
What Are Competencies?

Competencies are behaviors that encompass knowledge, skills, attitudes, motives, and temperament that distinguish excellent performers

How to describe a Competency

- Describe "excellent" behavior
- Define a "discrete" action
- Specify an "observable" behavior
- Written in simple, easily-understood terms
- Framed as an "action verb" statement

Competency Iceberg Model

Knowledge

Skills

Attitudes and Values

Traits & Motives
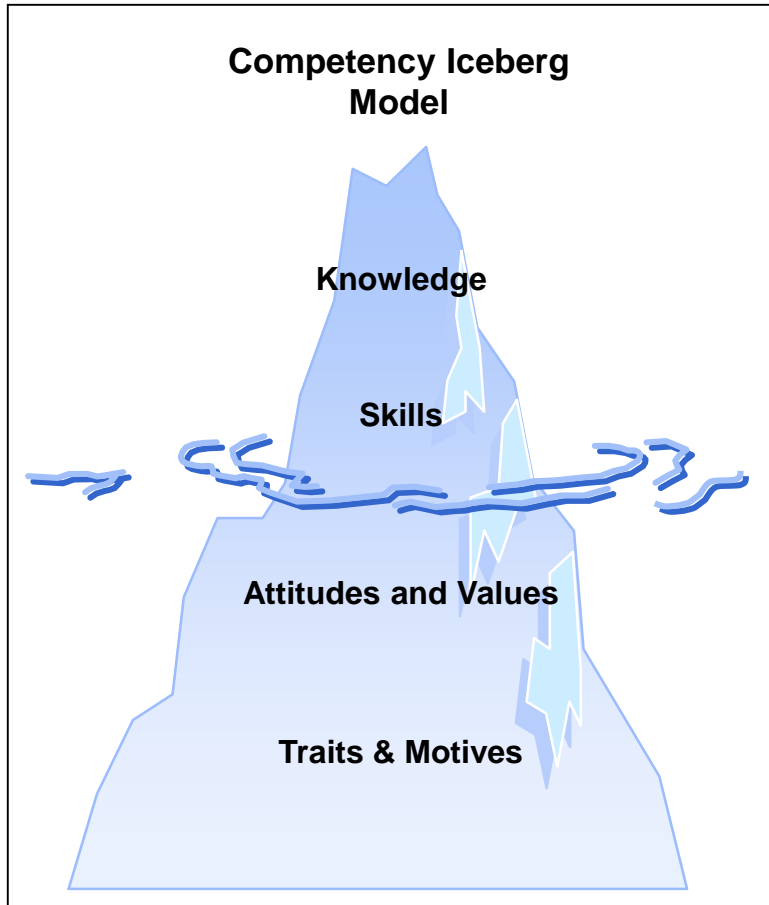
The Character of a Doosan Competency

- Represent 20 percent of the observable behaviors that drive 80 percent of excellent performance
- Competency model differentiation by role
- Simple definition and behavioral indicator for each competency
- Described in action verb terms

Doosan Competency Model Framework

- Consists of four key quadrants
- X axis represents continuum of planning to acting
- Y axis represents continuum of operational to people focus
- Center bubble, Global Mindset is a unique feature called out to draw attention to the criticality to our organization

Plan   Act

People

Operational

Engages People

1. Visioning &Alignment
2. Networking
3. Cross-Team Integration

Leverages Talent

4. Pipeline Management
5. People Development

Global Mindset

14. Cultural Diversity
15. Customer & Market Focus
16. Innovation

Creates Direction

6. Strategic Thinking
7. Change Management
8. Goal Setting

Manages Performance

9. Financial Acumen
10. Decision-Making
11. Execution
12. Resource Management
13. Process Excellence

The Doosan Competency Models by Level

DCM Framework

- **Competency Model Differentiation by role group: Visioning and Alignment, Alignment with Vision**
- **Definitions differ for each competency at differing organizational levels and so do the behavioral anchors**

DCM Framework

ECM/TLCM

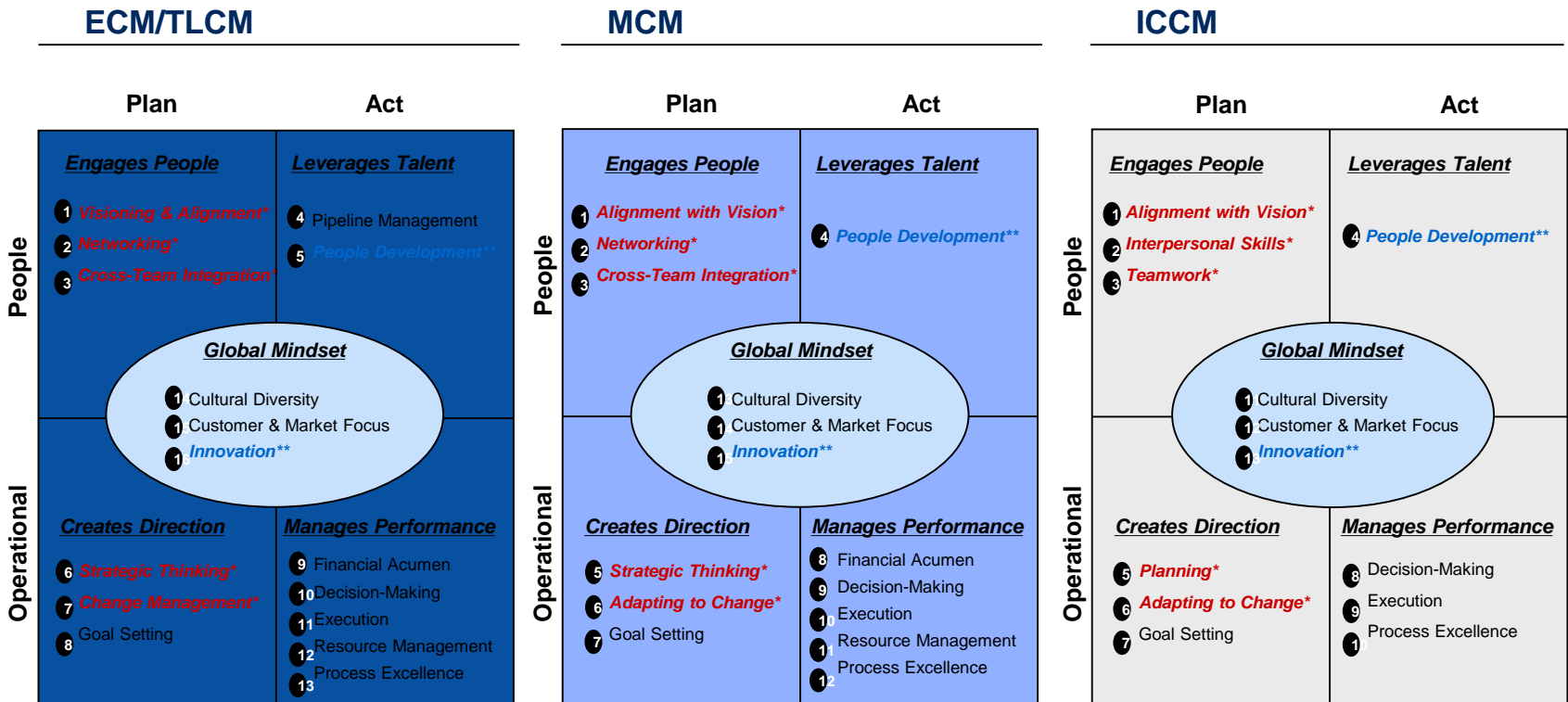|	Plan	Act

People

Plan — Engages People
- **1 Visioning & Alignment***
- **2 Networking***
- **3 Cross-Team Integration**

Act — Leverages Talent
- 4 Pipeline Management
- **5 People Development****

Global Mindset
- 1 Cultural Diversity
- 1 Customer & Market Focus
- **1 Innovation****

Operational

Creates Direction
- **6 Strategic Thinking***
- **7 Change Management***
- 8 Goal Setting

Manages Performance
- 9 Financial Acumen
- 10 Decision-Making
- 11 Execution
- 12 Resource Management
- 13 Process Excellence

MCM

People

Engages People
- **1 Alignment with Vision***
- **2 Networking***
- **3 Cross-Team Integration***

Leverages Talent
- **4 People Development****

Global Mindset
- 1 Cultural Diversity
- 1 Customer & Market Focus
- **1 Innovation****

Operational

Creates Direction
- **5 Strategic Thinking***
- **6 Adapting to Change***
- 7 Goal Setting

Manages Performance
- 8 Financial Acumen
- 9 Decision-Making
- 10 Execution
- 11 Resource Management
- 12 Process Excellence

ICCM

People

Engages People
- **1 Alignment with Vision***
- **2 Interpersonal Skills***
- **3 Teamwork***

Leverages Talent
- **4 People Development****

Global Mindset
- 1 Cultural Diversity
- 1 Customer & Market Focus
- **1 Innovation****

Operational

Creates Direction
- **5 Planning***
- **6 Adapting to Change***
- 7 Goal Setting

Manages Performance
- 8 Decision-Making
- 9 Execution
- 1 Process Excellence

---

* **Red color :** Replace Right Competency instead of Cascading Competency
** **Blue color :** Same Competency Name / Different Definition & Behavior Indicator

Model Testing

Performed benchmarking study before rollout
- Goal was to establish consistent rating scale

Mapped ratings of top performers at each organizational level
- Tested the validity of the competency models and the behavioral anchors

Analyzed outliers to determine their root cause

Testing highlighted cultural differences
- Highlighted necessity for better clarification of Likert scale definitions

Right-sizing Application of Competency Models

Assess S-A-Rs Before Building Models

Situation:

Facts must be relevant to assigned accountabilities.

Focus on the most critical drivers of success in the individual's work setting

Identify the work, actions and evidence attributable to the individual being assessed

Action

Actions must be reasonably linked to the targeted competency behavior

Link specific actions to facts you gather

Ensure actions can be documented in behavioral evidence

Results

Link the employee's actions to goals or an intended outcome

Ensure actions had an impact on the outcomes or goals

Establish defensible ratings

Documenting SARS

Write Three SARs for Top and Bottom Three Competencies (total 18)

Competency Title:

Situation	Actions	Results or Impact

One of the Key Challenges: Two Perspectives on the World

The Korean Perspective

The U.S. Perspective

Awareness of the Lens Through Which We Observe the World

We must recognize our personal bias based on our cultural norms and learned behaviors

Different ≠ Wrong   Different >< Better

Learn to suspend your bias and appreciate difference as a strength

Our competitive advantage is the ability Doosan has to view things from a truly global perspective

Fuzzy Meanings

See handout

The Performance Management Process

Competencies represent the *HOW* in an individual's performance

Performance management represents the *WHAT*

Cascade goals, starting with organizational goals

Executives create their goals and cascade them to the next level

Cascade continues to front line salaried employees
- Goal process on a calendar year December-December

The Performance Management Process

Goals must fit into one of four distinct goal categories
    Financial
    Strategic
    People
    Other (synergy for 2009)

Goals must be SMART

Mid-year goal reviews conducted in August
    No end-of-year surprises

Goal process on a calendar year December-December

Execution:

The roll out of competencies and performance management

Without support, any change effort will fail

Executive engagement and ongoing support
    Monthly meetings with HR and Salary.com consultants
    Chairman remained vocal advocate throughout

CEO's top organizational priority
    Committed time and direct reports
    Met with each member of executive team to calibrate goals

HR team committed full time resources to the roll out

Selling The Organization on the Value of Succession Planning

APPLE Stock

Apple Shares Flatline After
Bogus Steve Jobs Health
Report
--CNNMoney.com - Oct 3, 2008

J

Fri Oct 3

Training is critical

A comprehensive training plan was created in partnership with Salary.com

Conducted by internal OD resources in partnership with Salary.com

Executive participation

Training cascade was set in motion
Top down approach of holding executives accountable for assessments

Action Based Training Components

Rater bias activities
  Halo effect
  Self-oriented bias
  Other biases

Competency case studies and support materials provided

Individual coaching and review with senior leaders

Group People Session Training Agenda

Introduction to GPS	9-9:30am
The Big Picture (GPS output)	9:45-10:15am
The Doosan Competency Model	10:30-11:30am
LUNCH	11:30-12:30
Rater Bias	12:30-1:15pm
Development Planning (DP)	1:30- 2:30pm
9 Block (Performance & Competency)	2:45-3:30pm

Training Session Overview

Module	Key Topic	Activity
Module I. Introduction (30m)	Training Overview & Purpose	Lecture (5)
	Background	Lecture (10)
	Performance Management Overview	Lecture (15)
Module II. KPI's (45m)	Policies, Practices and Guiding Principles	Lecture (20)
	Non-Financial KPI's	Lecture and Discussion (25)
Module III. Goal Cascading (45m)	Process Overview	Lecture (5)
	Cascading Best Practices	Lecture(10)
	Goal Cascading: Group Exercise/Discussion	Exercise (30)
Module IV. Individual Goal Setting (30m)	Overview of Key Principles	Lecture(10)
	Goal Setting Examples and Discussion	Exercise (20)
Module V. Performance Planning (25m)	Performance Planning and Coaching Principles	Lecture (5)
	Developing an Integrated Performance Plan (Competencies, Objectives and Development): Group Discussion	Exercise (20)
Module VI. Session Summary (5m)	Summary of Key Concepts	Lecture (5)

Aligning Goals and KPIs (Key Performance Indicators)

Goals consolidated into a master spreadsheet following review

CEO proposed changes to HR/OD leader and Salary.com
    Recommended ways to drive further alignment

Finalized goals pushed back out to leaders to be shared and cascaded

The Role of Technology:

How we leveraged technology

This is an HR Technology Conference, isn't it?

- As in any performance management process, technology should be an enabler not a barrier

- We designed our process first on paper and then sought to leverage technology to enable the process

- Our existing technology implementation presented a few challenges

Technology Challenges to the Doosan People Program

1. We had to work with three discrete platforms:
   - People Program Information System for competency ratings
   - Performance management IT from third-party, inherited from Ingersoll Rand
   - Microsoft Excel spreadsheets for our Asian workforce

2. Each employee had to interface with at least two of the systems
   - Required training and logins for multiple systems

3. No global HRIS, meaning no central repository for employee data

4. The systems weren't intuitive, presented language capability limitations

Outcomes and Lessons Learned:

Outcomes

We achieved 98 percent compliance with the completion of year-end performance management

We created clear organizational alignment around our top priorities

We established clear accountabilities and expectations for all individuals based on the implementation of the comprehensive competency models

We outlined clear development priorities for individuals and created an organizational gap analysis, which is now being used to drive our training plans

Lessons Learned

Development and implementation of competency models can be very beneficial in driving post-merger integration.

It is critical to engage the CEO and other top leadership in any large-scale change effort in order to ensure organizational compliance and buy-in

Training employees using an appropriate, adult-learning style including interactive activities is important

Having the appropriate technology and systems in place from the start is important

Dedicating resources to the process is critical

Leveraging external expertise from a firm like Salary.com can be very beneficial