

OUR PEOPLE

Working together for change

As ABB continued down a path of transformation, 2016 proved to be a vital year in the implementation of the Next Level strategy. Changes across the organization brought not only new opportunities and challenges, but also a stronger commitment to support our people and prepare them for the future.

Taking performance to the Next Level

The White Collar Productivity (WCP) program is one of the company's seven 1,000-day programs aimed at making ABB more efficient, agile and customer focused. Since its launch in 2015, the WCP program has reached significant milestones. The company has taken major steps to achieve market-oriented simplification, notably with the realignment of our businesses from five to four divisions, to improve business functions in order to get closer to customers and to expand the capacity of our support functions to deliver best-in-class services from shared service and knowledge centers.

Our new shared service centers, also known as Global Business Services (GBS), provide support to our businesses in human resources, finance, information systems and supply chain management. Their role is to ensure consistently high levels of service, quality, cost-effectiveness and compliance in handling standardized support services. The six selected locations, in China, Estonia, India, Mexico, Poland and the US, have allowed us to leverage existing resources and, importantly, a pool of highly qualified people. The shift from country-based to globally managed shared service centers has been carefully planned to optimize how we work and widen the talent profile of the company.

In parallel, we established physical and virtual knowledge centers to consolidate and share expertise and specialized services across the organization. These Centers of Expertise (CoE) allow our subject matter experts to provide strategic and tactical guidance, including human resources, finance, supply chain and information systems. While some centers already existed, the new structure capitalizes on our scale and accelerates the more effective sharing of best practices.

The realignment of our businesses and the implementation of the WCP program have prompted changes in our operations and structures, which inevitably have impacts on our people. To assist the transition, our leaders have worked to engage regularly with the employees affected, with local works councils, as well as the European Works Council and with diverse local stakeholders. Despite

sometimes difficult topics, the structured consultation and engagement processes helped to build trust between the parties and to address challenging issues openly and constructively.

The establishment of the global Labor Relations CoE and the introduction of global tools and standards also helped to guide leaders and to create awareness of local labor expectations and requirements on all levels. Use of these resources has led to better decision-making and planning – and, critically, more timely and open communication during a time of uncertainty.

One example of WCP in action

If the WCP program was designed to improve the way we at ABB work – especially with each other – it made sense for the most people-oriented support function to lead by example. During 2016, our human resources (HR) function started on its own transformational journey by implementing WCP and redefining its role and responsibilities. Building on a solid foundation in HR management, the new HR functional blueprint is designed to reduce complexity and increase efficiency, to address the needs of our business better and more quickly.

The Australia HR team became the first in ABB to adopt the new HR blueprint, enabling it to focus more on helping individuals and teams work to the best of their abilities – and in effect, support the business. In June 2016, the newly opened GBS center in Bangalore assumed the delivery of a number of processes key to effective talent recruitment, management and retention. The potential complexity and impact of such a change prompted Australia HR business partners to develop a transition plan rooted in open communication and the engagement of everyone involved. The outcome has been positive, despite the movement of people inside and out of the organization, and can be considered a case study in a sensitive area of change leadership.



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More globally, the results of the HR transition also are promising. Along with the shift of more transactional responsibilities to the GBS centers, the development of Centers of Expertise has also led to improvements in specialist processes, such as talent management. The merging of talent attraction and retention in the Integrated Talent CoE has already helped the company better tap into its own assets and speed up the recruitment process, increasing internal mobility and creating new opportunities for redeployment and training.

We are also monitoring progress of the HR transformation through internal surveys. For the past several years, the HR function has used the 'Net Promoter Score'

implemented across business, functional and regional lines, from the factory floor to the executive committee.

These processes are reinforced by our bonus scorecard that balances company and individual/team objectives. In 2016, all behavior targets were linked to the scorecard, including demonstration of the new ABB competencies and contribution to the "Don't look the other way" campaign on safety and integrity.

In terms of attracting new talent, our status as an employer of choice, in many countries around the world, has been vital to recruitment. To make it easier for interested candidates to apply, we revamped the online application



program to gauge the satisfaction of internal customers. The 2016 survey showed that satisfaction with HR business processes increased, even during a time of transformation. An additional internal "Pulse" survey, administered within the ABB HR community, was designed to gather feedback from those participating in the change and led to improvements in the roll-out process.

Focus on talent

In addition to the WCP implementation, we took significant steps to further attract, develop and retain the people who will best move ABB into the future. We finalized and completed training in our new capability and workforce planning process, which ensures the quality and quantity of people needed to deliver ABB's Next Level strategy. We integrated our new competency model, Values in Action (VIA), in key HR processes, including recruitment, training and annual performance appraisals. Our bottom-up people review process has been

process. A new mobile-enabled candidate user interface now streamlines the flow, from job search to application. We also activated social media application, where possible, through LinkedIn. Within one month, one-tenth of job applications were being sent from mobile devices.

As for developing and retaining talent, we made internal mobility a strategic focus to help our own people grow and move more freely across the organization. We developed a coordinated and action-oriented global approach to identify and remove the barriers to mobility – and become more agile and business-focused in responding to pressing talent needs, especially for senior roles. The increased use of communication, talent profiles and guidelines to clarify the internal process has already made a notable difference.

Other programs and practices to develop our people continued to flourish. Nearly 83,000 annual appraisals

in 84 countries were carried out, providing feedback on performance and discussions on career development. Functional competency development programs, mostly in engineering, management and R&D, were completed in 11 different functions, while a total of 673 long-term assignments were in effect in 2016. Such international mobility strengthens our ability to transfer knowledge and deliver customer value.

Spotlight on learning

In line with our push to provide new opportunities for career growth, we designed a sweeping global learning and development strategy in 2016. The new strategy will be supported by an expanded offer of standardized learning programs for all levels. Proven programs, such as ABB Life for university graduates, senior leader development at IMD business school and global mentorship, have been updated to incorporate the ABB value pairs.

We also identified learning and development gaps and, accordingly, created three new programs for middle and senior management. A new program to promote a more customer-oriented and entrepreneurial culture at ABB is in development.



In line with our global scope and growing focus on internal mobility, we continue to offer free language training to employees in 23 languages, through the interactive Rosetta Stone program. Free English training (also for families) is provided through Education First.

The surge in new and enhanced learning and development programs has necessitated a more efficient learning management solution. A new cloud-based platform, to be launched in 2017, will act as a central resource for all ABB knowledge and learning tools.

A stronger framework for diversity and inclusion

The case for increasing the diversity and inclusiveness of ABB has become more pressing. We are proud of our truly global outlook, with 50 nationalities represented at headquarters; and eight in our 11-strong executive committee. In other areas, such as the number of women in leadership positions, we still have work to do.

To accelerate our progress, we have begun implementing a new diversity and inclusiveness framework to expand opportunities, especially for women already working at ABB. The first phase of implementation focuses on the integration of diversity objectives in current talent development processes, career life-cycle programs and increasing awareness of diversity issues among employees and senior managers.

During 2016, we strengthened recruitment and leadership development processes to reinforce the female talent pipeline at all levels. Actions focused on our people review succession planning process and on expanding talent sources to ensure accomplished women candidates are considered for open positions. We also continued to support and sponsor the Women's Forum as part of our goal to ensure ABB is an employer of choice for women employees and candidates and to share and learn from best practices in other leading businesses.

Additionally, we have heightened ABB's external engagement with other high-level partners to share perspectives about the workplace of tomorrow – especially in the face of increasing digitalization. Prasad Swaminathan, Global Head of Talent, was invited to join the 25-member World Economic Forum's Global Future Council for Work, Education and Gender. Through a multi-stakeholder dialogue, the Council explores themes to address the needs for increased participation of women in the workplace and effective talent strategies, policies and regulations for emerging labor markets.

ABB recently joined the Global Apprenticeship Network as well, to help prepare the next generation for the world of work. As our organization changes, along with the world around us, we are confident that these fresh perspectives will help foster a culture of collaboration and innovation – and drive the company towards a more sustainable, competitive future.