

Interview

“We see a strong parallel between company growth and personal growth.”

Integrity, the courage to embrace change, teamwork, and commitment – these are the values that Hilti, the Liechtenstein-based manufacturer of innovative fastening and demolition systems for the construction industry, looks for in its executives and fosters through its talent management. Pius Baschera, for many years CEO and today Chairman of the Board of Directors at Hilti, discusses Hilti’s priorities when selecting high potentials, and why managers who rise through the ranks mostly do better than external hires.

The Focus: Talent management now has a place on the strategic agenda of every leading company. Hilti has an outstanding reputation for customer focus and innovation. To what extent is that down to successful talent management?

Pius Baschera: This is something that really distinguishes our strategy from most of our competitors. Innovation and direct access to customers are major considerations in our talent management and executive development. We need talents and leaders who fit into our strategy and culture, into the foundations of our company. Our organization has a clearly defined culture with entrepreneurship at its core. In keeping with this entrepreneurial spirit, we strongly believe in the personal growth of our employees. The company will only continue to grow if we offer them an environment and opportunities where they are able to develop as individuals. We see a strong parallel between company growth and personal growth.

Can you describe the kind of talent you are looking for?

One important criterion is of course professional qualifications. The second criterion is definitely personality.

We want our executives to live the principles of good leadership by living our values, being entrepreneurial and courageous, which also implies taking responsible risks. Within our culture we accept failure because we believe in learning from

mistakes. Making new experiences helps a person grow, and the whole company grows as a result.

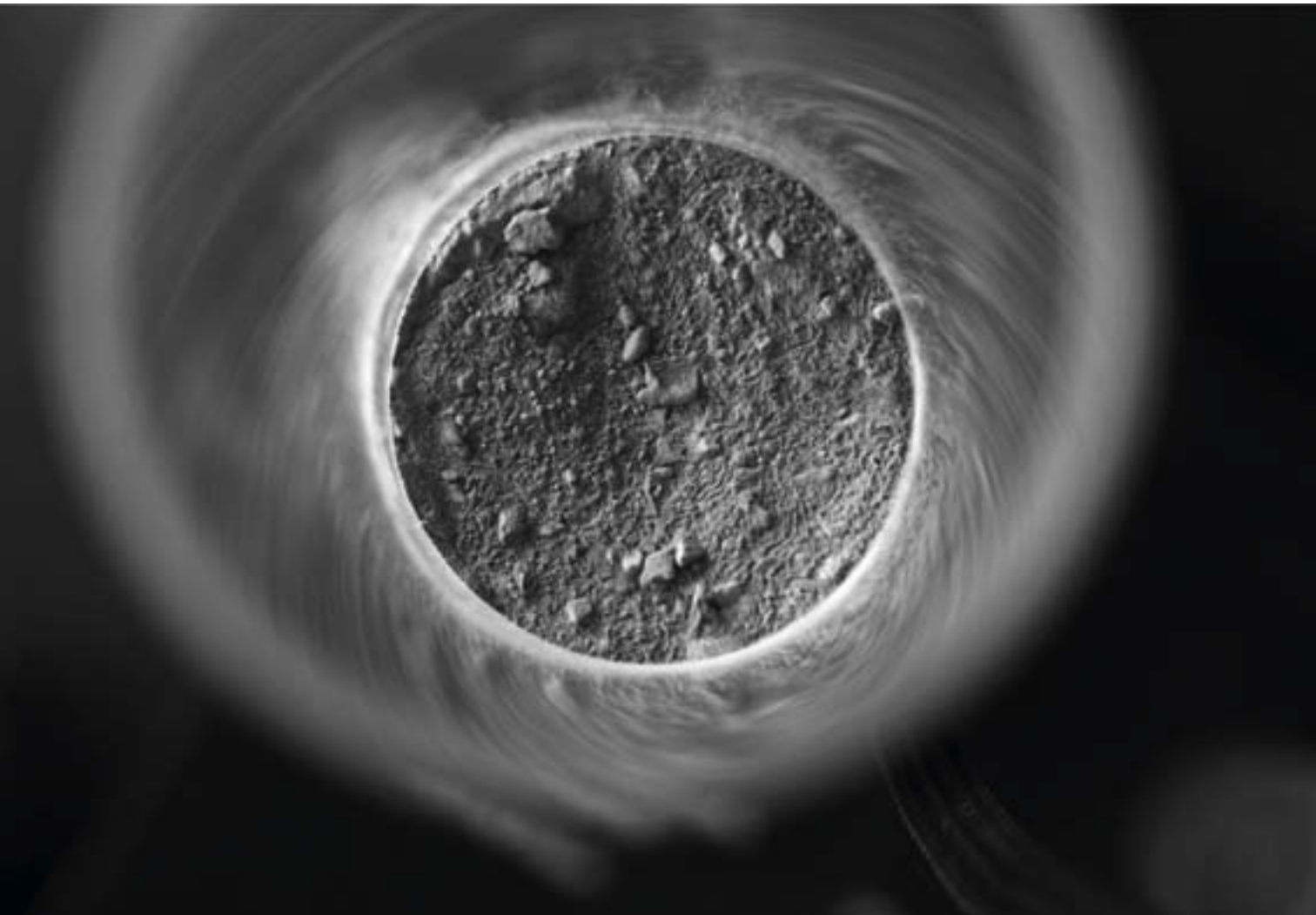
How do you identify talented individuals with these traits?

It’s a multi-stage process. First, we have to identify talent when we hire people from the outside. The second step is developing potential on the job. And the third is identifying people for promotion. About 10 or 15 years ago we interviewed between 60 and 100 of our most successful managers with the aim of isolating what it takes to be successful at Hilti, in its culture and in its strategy. And we found that a cultural fit is very important when identifying talents. We also defined our values at Hilti: team spirit, integrity, commitment, and courage to break the circle of habit. All four are very closely linked to entrepreneurship and innovation. We use our interview process to check whether an individual is a good match for our culture. If the answer is no, we’ve reached a stopping point.

Does that mean you prefer to develop talent in house so the necessary ‘Hilti socialization’ can take place?

It is true that 80 percent of all our management openings are filled internally. But we do hire from outside on all levels, with one exception – we would never hire externally for the Executive Board. Outside hires are rare for the second level, the Extended Executive Board, where we almost always select people who have risen through our ranks. But on





the third level and in the lower ranks, there is a lot of external hiring. We hire two to three thousand people around the world every year at all levels.

A question that is emerging for many companies is: How do we know whether our talent management is going to generate successful leaders in the future?

How do you determine who is made of the right stuff to rise to the top?

Firstly this is a question of culture and values, and then of business understanding and functional expertise. So we check the key skill sets. Strategic competence – can they understand and define what needs to be done? Operational competence – do they get things done and achieve results? Team competence – do they work well with others? And another essential point – do they have the ability to develop themselves and to promote the development of others? With approximately 21,000 employees and over CHF 4 billion in sales, we really are a people organization. In a company like this, we need leaders who are not only able to develop themselves but their people as well.

Could you give us some specific examples of the processes you use to evaluate your talents' abilities and skills?

At Hilti we have a process called SMD, Strategic Manpower Development, which is practiced at all levels. The Board of Directors, for example, holds a two-day meeting four times a year. At two of these meetings we invest half a day in SMD. We take the top 25 to 30 people in the company and look at each individual together with the Executive Board members. If, for example, one of the Executive Board members reports that an executive has made extraordinary progress, then we ask for concrete examples. We aren't satisfied with general impressions – good person, likeable, can handle promotion... As a board we expect specific examples of their talent, both in terms of living our culture and of their business performance. And we follow up by asking how a high potential has worked to develop their staff. Who have they hired and where do those people work now? Did they make sure the new hires were well prepared to work as part of the team? Have they developed promotable people?

But a lot of that will depend on the subjective opinion of their direct supervisor...

The Board of Directors has seven members; the Executive Board, six. Although the executive in question is always presented by their

direct supervisor, the other 12 board members in the room usually know the person from different interactions. So they are well placed to contribute their opinions and impressions and take part in the discussion.

We arrive at a joint conclusion and plan how this talent can be developed. And I should add that we always talk about possible successors as well. For each of our 30 top executives, we have at least one potential successor who could take over their position immediately. The Board of Directors takes an intensive look at the top talents at least twice a year; the Executive Board, at least once a month. When the Executive Board visits a market organization in a certain country, for instance, the talents there who have been identified by SMD are invited to present their projects or something along those lines. So the Executive Board members and high potentials meet each other personally. We really put a lot of time into this important task.

Don't you have to start identifying and promoting talent within your organization at a much earlier stage than you've just described?

Of course we do that as well. The second management level is the EMT, the Executive Management Team, which consists of the regional heads of the United States, Latin America, Asia, and Europe, plus the heads of the major product units and corporate functions. They meet four times a year for almost a full week and, as a team, they always spend a full day reviewing the management level immediately below them. Twenty-seven people contribute their opinions and experiences and come to a joint conclusion. They give very open feedback to each of the managers in question and talk to them about their career development. This process cascades down through the entire organization. At the end we know where the talents are among our 21,000 employees.

You're describing a very thorough talent management process that allows you to form a very precise picture of your executives' performance and abilities. But how do you determine who is really ready for the next step and the greater challenge?

It's actually quite simple: We make life difficult for our high potentials. No, seriously – we confront them with tough tasks, strategic challenges, change management responsibilities, or a situation that needs to be turned around. In a word, we set them

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stretch assignments. We watch how they perform, paying special attention to whether they act in accordance with our culture and values, actually get results, and develop their employees – even when the going gets tough. This shows us very clearly who is strong and who has just risen to the top on the basis of easy assignments. We have a lot of tools but I'd say that putting these high potentials in difficult situations and watching and coaching them is probably the most effective approach.

What experiences in your own career were most important to your personal growth?

If I think back, there have been about eight or nine stages in my career. The most important to me was when I was General Manager of Hilti in Germany. I was 35 years old, and had previously started at Headquarters in Liechtenstein in 1979 after graduating from university. After three years in the US organization I was assigned my first general manager job with Hilti Switzerland and had about 120 people reporting to me. After ten months I was asked to move and take charge of our operations in Germany, where our largest marketing organization – 1,200 people at that time – was in deep trouble. I came into a situation where half of the management team had been fired and we were running big losses. It was a very important experience in my career – a stretch assignment that really lived up to the name. The first test came at the end of the handover week. Michael Hilti was responsible for Europe at that time, so he was in charge of the transition from the former general manager to me. We were sitting in the entrance hall of the headquarters of Hilti Germany, and Michael said, "I'm frustrated by what I've seen this week. This is much worse than I expected." He looked me in the eye and added, "You are very young and I would understand if you said you didn't want to take it on – you could just come back to Schaan and we'd give you a good job there. It's up to you." But after about two seconds, I decided to accept the challenge. Then Michael Hilti told me I had his full support and trust. And he kept his word. Our close relationship really started there. We had to develop a new team and hire new people. Working with them, we had to work out a vision and a new strategy and implement them. Those four years were fantastic! They were tough but I learned how to do everything you need to do as a leader. I think if I hadn't had that oppor-



Pius Baschera

Born in Switzerland in 1950, Pius Baschera holds a Master's degree in Engineering and Management from ETH Zurich. He went on to earn a Ph.D. in Technical Sciences. He joined Hilti in 1979 as Head of Financial Controlling in the production area and held several management positions before succeeding Michael Hilti, the son of the company founder, as CEO in 1994. He became Chairman of the Hilti Group in 2007. Pius Baschera is a member of the Board of Directors of F. Hoffmann-La Roche Ltd., Schindler Group, and a member of the Advisory Boards of Vorwerk & Co. KG and Ardex GmbH. He is also Chairman of Venture Incubator, a seed money venture fund in Switzerland. He has served as a Professor of Entrepreneurship at ETH Zurich since 2007.

“We prefer fostering talent within our company because we are passionate about people development.”



The interview with Pius Baschera in Schaan was conducted by Philippe Hertig, Egon Zehnder, Zurich, and Nina Peters, Egon Zehnder, Sweden.

tunity in my career, I wouldn't be sitting here today.

You've emphasized how important Michael Hilti was for you as a mentor. Do all talents need the support of mentors to foster their professional growth? And if so, how do you make sure your top executives are stepping up to the plate?

I would turn that around – I think every good leader has at least one mentor. Every talent has a boss and this should be their primary mentor. But we tell our people to look for mentors beyond their direct supervisor, because everybody needs feedback; everybody needs coaching. And this happens throughout the organization on an informal basis.

In many companies we see leaders working to keep talent in their divisions or in their regions. How do you make sure that you have transparency and a flow of talents across functions, divisions, and regions?

There is no transparency if you just let the boss evaluate their subordinate and have the final say. So we always assess people in a cross-functional team. Bringing together the six members of the Executive Board plus the next 21 in the top-leadership team with the heads of different regions, product units, and corporate functions gives us a completely cross-functional group. There is one meeting where they look for example at marketing talents from every corner of the globe. And we replicate this for all other functions. The evaluation is done in a team of committed and passionate people, and they make sure that the process is international and covers all functions.

Have your processes for identifying and promoting talents changed very much in recent years?

We've always had executive boards that were very strong on talent development – it is part of our corporate DNA. But 20 years ago the process was not very structured and during my time as CEO we decided to impose more structure. The four-person Executive Board at the time was all on the same page. That was not the problem. We knew exactly what we were looking for and what it takes to be a strong leader at Hilti. But when we started to discuss leadership criteria with the top executives at the next management level, we were frustrated by the lack of agreement. So we started working to create transparency, clear-cut standards, and a shared understanding of requirements and assessment methods within the top management team.

One of the shaping forces in any talent development program is the corporate culture. How do you in management take that culture forward?

The corporate culture is one of our key focus areas at Hilti and we invest heavily in cultural training and development. We strongly believe that our corporate culture is the foundation for the long-term success of Hilti. Every 18 months, all our 21,000 employees take part in three-day cultural training camps. And every two years we develop a new camp that will move the corporate culture forward. We employ 75 coaches around the world to run those camps, all internal people. In the last team camp for example the topic was customer focus, which is a very important issue in our company.

But it isn't just our sales force that participates in our camps – it's also people from all other functions. They all discuss how they can contribute towards improving our customer focus. So the development of our culture is an evolutionary process.

By identifying people as high potentials you also raise their expectations and with that the risk that they may get impatient and try their luck elsewhere. How do you retain talent at Hilti?

We are in intensive contact with our high potentials. We discuss their vision for their careers and give them feedback on how we see their development. We build trust so they know that they are on the right path and that we are helping them move forward. We don't hesitate to give constructive criticism, either.

In 2006, during my time as a CEO, we experienced a major transition on the Executive Board. The board members had served together for 13 years, and we knew in advance that, based on our retirement rules for our Executive Board members, three of the four were due to retire in 2005 and 2006. So it was our responsibility to line up successors. Over ten years we worked to move high potentials into different functions where we could observe them, and during the board meetings in 2005 we presented six candidates, all internal, for the three jobs. The board selected three of them; of the three remaining candidates, one stayed with us, the second is now COO of a large corporation, and the third founded his own company.

What does this story tell us? We would rather have too many talents than too few.

Focus on people: At its headquarters in Liechtenstein, Hilti runs a changing projection showing employees from around the world.

Hilti

In 1941 brothers Martin and Eugen Hilti founded the engineering company “Maschinenbau Hilti oHG” in Schaan, Liechtenstein. Hilti’s market breakthrough began in 1948 with a direct fastening system for the construction sector. In the 1950s the company embarked on a course of international growth that continued in the sixties and seventies, accompanied by expansion of the product portfolio. Entry into screw fastening technology and construction chemicals opened up new markets. Today Hilti has its own production plants and R&D centers in Europe, Asia, North America, and Latin America. Net sales in 2012 totaled CHF 4.2 billion. Hilti is still in family hands with all shares owned by a trust, the aim being to secure the company’s long-term growth.

We prefer fostering talent within our company because we are passionate about people development. It is also something that we expect of our management – it is the inherent responsibility of every leader to develop the capabilities of their organization in all its dimensions. People development is a passion, not a task, and in our company this passion is very strong.

But surely there are times when you are mistaken in your assessment of a person, and identify a talent who then fails. How do you handle a case like that? What do you learn from it?

Yes, of course that can also happen at Hilti. But in most cases it isn’t a question of performance or abilities, but of personality, values, or behavior.

Since you consider it so important that a person be a good match for Hilti’s corporate culture, would you prefer an internal hire with a little less experience to an outsider with proven potential?

Yes, if the internal candidate has the potential to grow. We try to hire not for a job, but for a career. So when we select people for leadership positions, we also consider whether they can take the next step up, as well. If we just hire them for one job and that is the extent of their potential, we are blocking the development ladder. When it comes to management positions, we need to have open positions in the organization for talents to develop – to create opportunities for upward movement so high potentials stay with us.

Let’s talk about Generation Y, which has different expectations than its predecessors.

How have the expectations of high potentials changed over the years?

We have seen a few changes. One is work-life balance, which has become a more important consideration for many people. Another issue is corporate social responsibility. This is an area that concerns more and more young people today – they want to know whether a corporation looks beyond its bottom line. The Hilti Foundation, for example, supports projects in social welfare, culture, and education. The rising generation values this sort of commitment. And a third change is that talents find it more attractive to join a company with a culture of continuity and long-term thinking than one with a quarter-by-quarter mentality. I am not saying there aren’t people who are drawn to such an approach – but we see people applying here because they have heard about our strong culture and long-term outlook. Reliability and sustainability are very important to many people who join us – more so than 20 years ago.

Drawing on your experience at Hilti – and your roles on different boards of renowned companies, where you have seen many executives outside of Hilti – what are the dos and don’ts for a successful career? What advice would you give young talents?

First, be passionate about your work. Without passion, it is difficult to advance your career. Second, be authentic. I always give this advice to students as well as here at Hilti: I can’t remember a single day in my 34 years at Hilti where I was fed up with the company. I recall many days when we were frustrated by a problem, but it was always a place that I liked to be. Why? Because it is a company where I can be authentic. My values and my way of doing things align with the corporate culture. If you don’t fit into the culture, don’t join the company. Third, think about your career, develop a vision of where you would like to be in five or ten years, and put it on the table to discuss openly with your boss. This gets you feedback on how your supervisor sees you and whether they think your career goals are feasible or completely out of reach. And fourth – but this is specific to Hilti – it takes two things to be successful here: Your performance has to be excellent, not just one year but every year. And you have to develop people. One of the two is not enough; you have to deliver both.



