Designing a High-Performing Engagement Culture in a Corporate-wide Function

Organization Design Forum
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Model for Designing an Engagement Culture

- Contracting
- Measuring Change
- People Practices Design
- Reward System Design
- Stakeholders and Design Concepts
- Structure Design

Organization Design Model
Who is the Export/Import Function?

**EX/IM Objectives**
- Enable competitiveness while achieving regulatory compliance and protection of national security interests
- Integration of export/import compliance into business processes
- Consistent and effective operational support
- Lead with agility while fostering a culture of excellence, integrity and accuracy
- Recognized as a world class workforce and workplace

**Key Measures**
- Export license issuance
- Foreign disclosure resolution
- Credibility with customer
- Mature policy and procedures
- Corrective actions implemented
- Knowledge sharing
- Performance metrics
- Internal controls harmonized /automated
- Routine self assessments

**Processes**
- EX/IM determination
- Jurisdiction/Classification
- USG authorizations
- Tech release
- Regulatory interpretations
- Risk identification
- Training
- Preventative measures
- Transactional controls
- Monitoring compliance
- Audit verification

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Supporting International Business in a Compliant Manner
The Export/Import Community of Practice

Export/Import

Shared Services

Law

Department

Export/Import

Aerospace

EX/IM

Information

Systems

EX/IM

Electronic

Systems

EX/IM

Technical

Services

EX/IM

Export/Import

Shared Services
**Department of State Consent Agreement - Major Requirements**

- Retention of independent Special Compliance Official for 3 years
- Integration of export compliance within 6 months of new acquisitions
- Strengthen export policies and procedures
- Conduct comprehensive training across the company
- Publicize OpenLine for export issues and assess effectiveness
- Conduct audit at ES
- Annual certification of expenditures by CFO and Audit Committee
- Conduct second audit (ES follow-up and company-wide)
- Enhance automated export systems
- **Ensure adequate ITAR resources are dedicated to ITAR compliance**
- CEO certification to conclude Consent Agreement
Contracting to Achieve an Engagement Culture

- Contracting
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- Stakeholders and Design Concepts
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- People Practices Design
- Structure Design
- Reward System Design
Multiple Pieces to achieve Adequate Resources

- Organizational Structure Reporting Relationships
- Staffing Increases
- Compensation
- Career Path Promotions
- Performance Evaluations

SCO HR Review per Consent Agreement

SCO Design Contract
- Review Organization
- Conduct Resource Studies
- Survey Compensation
- Develop Career Path Tools
- Verify Employee Evaluations
Stakeholders and Design Concepts for a Culture Shift

- Contracting
- Measuring Change
- People Practices Design
- Organization Design Model
- Reward System Design
- Structure Design
- Stakeholders and Design Concepts
# Stakeholders for a Culture Shift

## Address All Stakeholder Needs

<table>
<thead>
<tr>
<th>Executive Guidance</th>
<th>Organization Design Team Strategy</th>
</tr>
</thead>
</table>
| • Northrop Grumman Sector Line Management  
  • Special Compliance Official (SCO)  
  • General Counsel  
  • Board of Directors | **HR areas of immediate focus**  
  • Improving hiring process  
  • Improving career development process  
  • Improving competency development process  
  • Creating common job titling  
  • Ensuring equitable compensation  
  • Clarify roles and responsibilities |

| Finance areas of immediate focus  
  • Consistently engage internal audit where needed  
  • Improve budgetary/charging processes effect on resources |

## Export-Import Voice-of-the Customer

Primary Causes of Project Failure  
• Lack of visibility of function  
• Unbalanced workload  
• Insufficient regulatory subject matter experts  
• Not engaged externally on trade policy  
• Corporate requirements not integrated across business

## USG Feedback

Opportunities for improvement:  
• Centralized point of contact for NGC USG interface  
• More engagement on technical release policies  
• Enhance compliance measures  
• Need strong self-assessments
Design Concepts for a Culture Shift

• **Design Team**
  – Special Compliance Official (Lead)
  – Export-Import Shared Services (Consultant)
  – All Sectors Export/Import – Management and Non-management
  – Law Department and Outside Export Counsel
  – E-I Directors, Corp/ Sector Comp, Corp/Sector L&D (Steering Committee)

• **Workshops of 1-2 Days**

• **Schedule**
  – Structural design study – April – June, 2009 (Implemented January, 2010)
  – Reward System design study – November 2009 – April 2010 (Implemented June)
  – People Practices design study – February – December, 2010 (Implementing 2011)
Starting with the Northrop Grumman Organization Design Methodology

<table>
<thead>
<tr>
<th>NG Corporate Methodology</th>
<th>Modified Methodology for Project Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>No changes</td>
</tr>
<tr>
<td>• Need for Design</td>
<td></td>
</tr>
<tr>
<td>• Strategic Design Factors</td>
<td></td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td>Replaced with Pro/Con Analysis Tools for:</td>
</tr>
<tr>
<td>• Organization Disconnects &amp; Role Conflict</td>
<td>• Corporate Representation</td>
</tr>
<tr>
<td>• Span-of-control</td>
<td>• Relationship Between Shared Services and Business Units</td>
</tr>
<tr>
<td>• New Structural Elements</td>
<td>• Conducted Resource Studies of Sectors and Shared Services</td>
</tr>
<tr>
<td><strong>Lateral Process Integration</strong></td>
<td>Not Required</td>
</tr>
<tr>
<td><strong>Reward System</strong></td>
<td>Replaced with Tools for:</td>
</tr>
<tr>
<td>• Needs Questionnaire for Design Change</td>
<td>• Equity and Competitiveness Assessment (from Compensation)</td>
</tr>
<tr>
<td></td>
<td>• Titling Analysis and Standardization (from Compensation)</td>
</tr>
<tr>
<td></td>
<td>• Industry Standardization (from Compensation)</td>
</tr>
<tr>
<td><strong>People Practices</strong></td>
<td>Replaced with Tools for:</td>
</tr>
<tr>
<td>• Needs Questionnaire for Design Change</td>
<td>• Career Path Planning (from L&amp;D)</td>
</tr>
<tr>
<td></td>
<td>• Career Pipelines (from L&amp;D)</td>
</tr>
<tr>
<td></td>
<td>• Competency Model and Development Action Catalog (new)</td>
</tr>
<tr>
<td></td>
<td>• Performance Management Audit (from L&amp;D)</td>
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</table>
Designing Organizational Structure for Engagement

- Contracting
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Designing Organizational Structure for Engagement

**EISS Reporting**
Recommended and Approved Option was Corporate Contracts, Pricing and SCM

**EISS/Sector Integration**
Recommended and Approved Option was Sectors Dotted Line to EISS
Designing Organizational Structure for Engagement

- Resource Studies to Ensure Adequate Resources, Lines of Authority, etc.

- Resource Study Team
  - Outside Export Counsel
  - Special Compliance Official
  - NGC HR Business Partner
  - Discussed extensively with Sector and Corporate Management

- Information Gathering from Employee Survey, Data Collection, Interviews

- Sampling of Resource Study Team Recommendations
  - Add export professionals and/or professional staff
  - Improve process for selecting, training, and using technical advisors
  - Assign and train export focal points at remote business sites
  - Position with primary responsibility for export compliance
  - Eliminate redundant document reviews
  - Delegate signature authority further down
  - Improve use of automated solutions
  - Improve training and access to export command media
Designing Reward Systems that Engage Dialog

Contracting

Measuring Change

Stakeholders and Design Concepts

Organization Design Model

Structure Design

People Practices Design

Reward System Design
Designing Reward Systems that Engage Dialog

• 2 Salary Reviews of All Sectors and EISS – 2009 and 2010
  – SCO with facilitation by Corporate Compensation and HR
  – Average Job Salaries Compared to Market Rates – 5 individual contributor and 5 manager levels
  – Individual Compensation Compared to Market Averages and Peers in the Corporation

• Conclusions
  – No urgent compensation issues
  – Notified management of a few whose salary seemed low compared to peers
  – Highlighted need for common job code
New Common Job Codes & Titles

- Facilitated by Corporate Compensation & HR
- EISS Partnership, Guidance & Integration
- Engaged Sector Compensation for Corporate-wide Design & Implementation
Designing Reward Systems that Engage Dialog

Job Family: Legal & Regulatory
Subfamily: International Trade Compliance
Job Titles: Analyst 1-5, Manager 1-3, Director 1-2

Approved by NG Compensation Effective in One Month
Designing Reward Systems that Engage Dialog
Designing People Practices that Drive Engagement

- Contracting
- Measuring Change
- Stakeholders and Design Concepts
- Organization Design Model
- Structure Design
- Reward System Design
- People Practices Design
Designing People Practices that Drive Engagement

Follow the Employee Development Cycle to:
1. Identify career options
2. Formulate career goals and supporting development activities
3. Access tools and resources
Designing People Practices that Drive Engagement

**Career Pipelines:** A Career Planning Tool to help employees:

1. Learn how the Common Job Classification System applies to NGC jobs
   a. All Job Families, Subfamilies & Titles
   b. Job Levels defined for all jobs
   c. Typical job qualifications listed
2. Apply career knowledge to personal career development
Designing People Practices that Drive Engagement

**ITC Competency Model**
Adapted from NG Leadership Competency Model (changes for ITC in red)

**Business Acumen**
- Business & Competitive Market
- Organizational Effectiveness
- Business & Financial Drivers
- Process & Project Management
- Customer Focused
- Metrics & Analytics

**Personal Credibility**
- Interpersonal Savvy
- Effective Communications
- Organizational Agility
- Integrity & Trust
- Results Orientation
- Emotional Intelligence

**Strategic Contribution**
- Strategic Agility
- Diversity & Inclusion
- Change Management
- Creativity & Innovation
- Industry/ Business/ ITC Alignment & Regulatory Compliance
- Efficiency

**ITC Expertise**
- Process Management
- Compliance Management
- Regulatory and Governance
- Customer Support
- Training and Knowledge Transfer

**ITC Competency Model**
Adapted from NG Leadership Competency Model (changes for ITC in red)
Designing People Practices that Drive Engagement

<table>
<thead>
<tr>
<th>ITC Expertise Competency</th>
<th>Skills/Behaviors</th>
</tr>
</thead>
</table>
| **E1 - Process Management** | a. Define and develop requirements, policies, procedures, work instructions and guidance within the established business processes that support regulatory compliance.  
b. Define, evaluate, & utilize technology to support the strategic objectives of the business, streamline ITC processes, and provide cost-effective and value-added solutions.  
c. Generate performance metrics to evaluate and improve processes.  
d. Review and evaluate the content of ITC systems for accuracy and the most current updates |
| **E2 - Compliance Management** | a. Ensure compliance with US and foreign trade regulations in the conduct of business activities.  
b. Conduct transactional reviews for trade compliance.  
c. Establish and maintain assessment programs to ensure implementation and effectiveness of internal controls.  
d. Identify and review areas of potential non-compliance and determine/implement corrective actions in coordination with the Law Department, as applicable.  
e. Maintain records and submit reports to USG according to regulatory requirements and procedures |
| **E3 - Regulatory and Governance** | a. Evaluate and understand regulatory issues/legislation and their applicability to the organization  
b. Communicate and educate the organization on ITC information  
c. Prepare, submit, and obtain all required US government export and import authorizations.  
d. Manage USG agency relationships.  
e. Represent NGC in industry and government advisory organizations |
| **E4 - Customer Support** | a. Engage customers to identify international activity requiring ITC support  
b. Maintain an awareness of customer operations, products, and strategy  
c. Assist organization to resolve customer issues related to import and export activity  
d. Guide and educate customers |
| **E5 - Training and Knowledge Transfer** | a. Develop & manage annual training plan  
b. Create training materials & deliver training  
c. Share operational & compliance best practices  
d. Foster professional development and the transfer of subject matter expertise |
## Developmental Action Catalog

<table>
<thead>
<tr>
<th>Development Type</th>
<th>Developmental Action</th>
<th>Employee Proficiency</th>
<th>ITC Expertise Competency Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>B=Beginner I=Intermediate E=Expert</td>
<td>E1 - Process Management</td>
</tr>
<tr>
<td>Job Experiences</td>
<td>6-month assignment as licensing rep</td>
<td>E</td>
<td>X</td>
</tr>
<tr>
<td>Knowledge Transfer and Coaching</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Knowledge</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Engaged Corporate and Sector L&D to Follow Design and Support Implementation Competency Model Design Delivered December 2010
Performance Management Survey Questions

<table>
<thead>
<tr>
<th>Performance Management Survey Questions</th>
<th>% Responded Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. My supervisor and I met to discuss my performance for last year.</td>
<td>95%</td>
</tr>
<tr>
<td>2. I have a performance agreement in place for the current year.</td>
<td>72%</td>
</tr>
<tr>
<td>3. My performance agreement includes development plan objectives for this current year.</td>
<td>72%</td>
</tr>
<tr>
<td>4. My supervisor and I have met and discussed my performance agreement and development plan objectives.</td>
<td>72%</td>
</tr>
<tr>
<td>5. My performance objectives for this year are clear to me.</td>
<td>80%</td>
</tr>
<tr>
<td>6. My performance objectives are aligned with my organization's goals.</td>
<td>71%</td>
</tr>
</tbody>
</table>

Note: 63% response rate

Recommendation: Continue survey to support performance management
Obtaining Measurable Results of a Culture Shift

- Contracting
- Stakeholders and Design Concepts
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- People Practices Design
- Measuring Change
## Obtaining Measurable Results of a Culture Shift

### Enterprise Benefit

<table>
<thead>
<tr>
<th>Enterprise Benefit</th>
<th>Enterprise Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve collaboration between corporate functions, EISS and Sector ITC departments</td>
<td>Use of EISS services</td>
</tr>
<tr>
<td>Improve international trade compliance</td>
<td>Number of violations</td>
</tr>
<tr>
<td>Improve employee development</td>
<td>Number of rotations, temporary assignments &amp; development plans</td>
</tr>
<tr>
<td>Improve employee dialog on compensation</td>
<td>Employee Survey</td>
</tr>
<tr>
<td>Improve performance management process</td>
<td>% employees with performance agreements &amp; reviews</td>
</tr>
<tr>
<td>Satisfy HR elements of the DOS Consent Agreement</td>
<td>DOS Closure of the Consent Agreement</td>
</tr>
</tbody>
</table>
QUESTIONS?
• How often do you make conscious efforts to better understand the operational strategies of the organization prior to the start of an organization design process?
  – What types of things do you do to better understand those operational strategies?

• Do you typically design rewards and people practices as part of your organization design process?
  – If YES, what has been your experience designing rewards and people practices as part of your organization design process?

• What have you done to help your clients improve rewards or people practices that engage the workforce?

• Have any of your rewards and people practice design projects had a well-defined, measurable ROI or financial outcome?