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A.P. Møller - Maersk Group: Evaluating Strategic Talent Management Initiatives

At the start of 2012, Maria Pejter, senior director of Maersk Group's Human Resources department, and Bill Allen, head of Human Resources (HR), sat down to consider some key aspects of Maersk's talent management strategy. Through 2008, Maersk had experienced several years of rapid growth and strong profitability. The global recession in 2008 had negatively impacted both Maersk's top line and its returns; however, operating results had since improved, and Maersk earned record profits in 2010. In recent years, Maersk had seen a rise in its unusually low historic employee turnover rate. And Maersk had experienced a notable change in its corporate culture as it transitioned from a family-owned Danish shipping company into a global, publicly-traded conglomerate.

Allen and Pejter were evaluating Maersk's talent management priorities in the context of the increasingly competitive and fast-moving talent market of the 21st century. As Maersk continued to grow, finding, developing, and retaining high-quality talent was becoming a bigger challenge. In particular, Maersk was experiencing five notable talent challenges.

The first of these was increased employee turnover. Maersk had traditionally relied heavily on employees who started with the Group as trainees and then spent the entirety of their careers there. However, with competition in the labor market increasing, a greater number of Maersk employees were leaving the Group for external opportunities. Maersk estimated that, of the approximately 400 trainees it brought on board each year, only 20% of them were still with the Group after five years. In light of this rise in attrition, Maersk's HR had increased its efforts to bring in experienced hires from the outside. Allen and Pejter needed to better understand how much of a problem this higher attrition rate was creating. How did it compare with what other firms were experiencing? And was it possible that this higher turnover also provided an opportunity to bring in high-quality talent and to further diversify the Group's employee base?

The second challenge centered on what to do with Maersk's training and development programs. The training that Maersk had traditionally provided to its trainees was extensive, and included both formal courses and on-the-job training, including rotational programs that allowed employees to move across geographies and business units. This training was costly, but had been considered a solid investment because many employees stayed with Maersk throughout their careers. However, with employee attrition rates rising, and industry competitors targeting Maersk employees because of their strong training, perhaps this strategy needed to be rethought. Additionally, as the need arose to

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Professor Boris Groysberg and Research Associate Sarah L. Abbott prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

hire more experienced individuals, should more emphasis be placed on the training needs of these individuals? What other types of training should Maersk be offering its employees to ensure they were well equipped to meet the business challenges of the 21st century?

Third, should Maersk continue to hire experienced individuals from outside the firm? In recent years, the percentage of senior positions filled by external hires had increased from virtually none to 30%. What were the pros and cons associated with hiring from outside? How should Maersk think about integrating these external hires? Feedback on Maersk's integration efforts to date had not been positive. Was it Maersk's responsibility to integrate these senior hires, or was it a matter of hiring the type of people who understood what it took to be successful in an environment like the one at Maersk? Many companies practiced "natural integration." What practices should Maersk put in place to integrate experienced hires, if any?

Fourth, one way of bringing in external talent, while potentially reducing the associated integration risk, was by rehiring former Maersk employees ("boomerangs"). While Maersk had no formal policy on rehiring, it had historically been considered taboo. However, given Maersk's significant talent needs, Maersk had reversed its position on this policy a few years back. Pejter and Allen planned to look at how this policy was working and determine whether or not the change had been a good one for the Group. Should it rehire former employees? If so, under what conditions? And, at what level should they be brought in?

Finally, Maersk was becoming a more diverse company with a more diverse customer base, and was operating in an increasingly diverse business environment. In light of this, how did Maersk build an inclusive culture? Did one already exist? Or was it something they needed to continue to work on?

A.P. Møller - Maersk Group: Company Background

The A.P. Møller - Maersk Group ("Maersk" or "the Group") was founded as a shipping company in 1904 by Arnold Peter Møller and his father, Captain Peter Maersk Møller. Arnold Peter Møller served as CEO of Maersk until his death in 1965. He was succeeded by his son, Maersk Mc-Kinney Møller, who served as CEO until 1993 and chairman of the board until 2003. In 1993, Jess Søderberg, who had been with the Group since 1969, became CEO, but resigned in 2007 after a rumored clash with Mc-Kinney Møller.[1] He was replaced by Nils S. Andersen, an external hire who had been with Carlsberg A/S for over 20 years—most recently as president and CEO—but had served on Maersk's board of directors since 2005.

Headquartered in Copenhagen, by 2012, Maersk was the largest company in Denmark, and operated in 130 countries with nearly 110,000 employees. Maersk comprised over 1,000 companies, and operated one of the largest container shipping businesses globally as well as oil and gas exploration and container terminals operations. Additionally, Maersk held a 68% stake in Dansk Supermarket Group and a 20% interest in Danske Bank.

Maersk's businesses included:

- Maersk's container services businesses—Maersk Line, Safmarine, MCC Transport, and Seago Line—which contributed 40% of Maersk's revenues. These operations consisted of 645 owned and chartered vessels with aggregate capacity of 2.5 million twenty-foot equivalent units (TEU).
- Maersk Oil, Maersk's oil and gas exploration and production (E&P) operations, which contributed 20% of revenues. Maersk had E&P operations in the United Kingdom, Denmark, Qatar, and Algeria.

- APM Terminals, which owned and operated container terminals globally and contributed 7% of revenues. Its network included 55 container terminals and 154 inland facilities in 64 countries.
- Maersk Drilling, offshore drilling and land rig operations (including a 40% interest in Egyptian Drilling Company), which contributed 3% of revenues.
- Other businesses: Maersk Supply Service (anchor handling and platform supply vessels); Maersk Tankers (oil and gas tanker shipping); Damco (logistics); Svitzer (towing and salvage operations); Maersk FPSOs (serviced floating oil and gas producers via its fleet of three floating production, storage, and offloading units (FPSOs), one floating gas storage offloading unit (FGSO), and one jack-up production module) and Maersk LNG (owned and operated Liquefied Natural Gas (LNG) carriers).

2002–2008 saw strong growth globally for the container shipping industry, driven in part by the expansion of outsourcing, growth in emerging markets, and China's entrance into the World Trade Organization in 2001. Maersk's other businesses also experienced robust growth, resulting in a 15% compounded annual growth rate (CAGR) in group revenues, and a 14% CAGR in both EBITDA[1] and assets over this time period.

However, in 2008, the global recession resulted in slower growth across many of Maersk's business lines. In subsequent years, container industry volumes were relatively flat, and with significant overcapacity, rates remained soft. In light of this environment, Maersk focused on expansion in growth markets, such as Asia and Africa, and on cost control and improved efficiency in mature markets. One business which remained a growth area was energy, with rising oil prices driving strong top-line growth. Maersk produced 333,000 barrels of oil equivalent (BOE) per day in 2011 and had a strategic goal of producing 400,000 BOE per day.

As of December 31, 2011, Maersk's total market capitalization was $28 billion (in U.S. dollars). The company had been publicly traded since 1982, and was listed on the NASDAQ OMX Nordic exchange. Maersk had two classes of shares: A shares, which possessed voting rights, and B shares, which had no voting rights. As of December 31, 2011, Maersk's share capital consisted of 4,395,600 shares, 50% of which were A shares and 50% of which were B shares. The Møller family's foundation controlled 41.22% of the share capital and 50.6% of the total votes. (Through other entities and private ownership, the Møller family controlled an additional 25.9% of the voting power of Maersk.) Forty-one percent of the share capital was freely floated. (See **Exhibit 1** for share price data for Maersk, and **Exhibits 2** and **3** for detailed financial performance data.)

Talent Management at Maersk

Talent Management in the Pre-2003 Era

The evolution of Maersk's talent-management practices can be viewed in light of the company's overall evolution and growth. As Maersk transitioned from a family-owned Danish company to a publicly-traded global conglomerate, its work force changed, as did its talent needs and practices. Many of these changes also reflected trends in the broader market, as talent became increasingly mobile.

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[1] Earnings before interest, tax, and depreciation and amortization.

Pejter described the workforce culture that had traditionally dominated Maersk: "In many ways, A.P. Møller has been a company of people who work there for life … We have disproportionately many people who get to their 40-year anniversary or 50-year anniversary with the company, and no one makes a big wahoo out of 25-year anniversaries because they are very common." She added that, due in part to the presence of a strong founding family, Maersk employees felt they were part of something that was more of a "familial relationship."

Maersk had historically focused on hiring and training young, inexperienced individuals. It was not uncommon to hire individuals directly from high school. Maersk's two-year training program entailed on-the job-training and formal coursework. Successful trainees were guaranteed an overseas placement as part of their ongoing training. Individuals were hired by the Group, and moved regularly across Maersk's business lines.

In keeping with Maersk's familial culture, managers were often slow to let go of underperforming employees.

What emerged as a result of these practices was a strong, arguably homogenous and company-focused, culture. Bill Allen described the culture at Maersk as "an insular organization, internally focused, quite successful, very successful when it came to Denmark, quite successful globally, a big headquarters, slow moving, bureaucratic. [There were] lots of control mechanisms in headquarters indicative of a control culture." He added, "In terms of things we were doing well—good focus on leadership, good focus on values, and appreciation for the heritage of the organization, [there was] a passion, a tremendous passion, about the industry, or industries that we were in, and a good foundation, if you will. Smart, competitive people. It's got a lot to [do with] our selection procedures over the years."

Jesper Madsen, a vice president in HR at Maersk Drilling, argued that while Maersk was good at filling the firm's needs, it was less good at focusing on the needs of its individual employees. He explained, "But where we're not doing well enough is on leveraging the talent of each individual. I think we have a number of employees in our organization that are not the best version of themselves—that we could actually benefit from engaging more in their personal development. So, the individual career management—career development, personal aspiration development—I think that's the area where we are underleveraging for the time being."

Rolf Habben-Jansen, CEO of Maersk's Damco unit, posited that the homogenous nature of Maersk's employee base could present challenges. He argued, "The DNA of many of our people [is similar]—they have been selected in the past based on certain personality profiles that are very, very similar. And I'm a firm believer in the need to have some diversity also in terms of personality because suddenly when you hit more turbulent times, it sometimes just helps to have some people that don't always go with the flow because they can help you challenge the conventional wisdom." And, he continued, "Because we had basically grown up all the management executives the same way, that's how we ended up with a leadership team with too similar beliefs, which is not ideal for running a truly global and very diverse business." Bill Allen concurred, arguing that traditionally Maersk employees "knew how the organization worked. They were very, very, very good operationally. They got things done, [and were] very execution-focused. But on the other hand, they really didn't have an external focus, because they hadn't been brought up that way. They were probably more operationally predisposed than they were commercially predisposed."

According to Maersk employees, key personality traits that historically characterized successful employees included "an enormous willingness to help other people" in the organization and an ability to build relations. "People that are able to adjust fast, and that don't need directions all the time" have also traditionally thrived at Maersk. Intellect, a focus on execution, and being a team player were itemized by many as critical to success at Maersk. Also, an "ability to work within a fairly loose framework, and get comfortable with that is very important, because you will be given a lot of responsibility fast."

Talent Management, 2003–2008

As Maersk expanded, its growth impacted both Maersk's talent management practices and processes, and its culture. To support its growth, the Group needed more experienced personnel and managers. To fill these needs, it focused on both hiring experienced professionals and accelerating the career progression of trainees.

Maersk's growth also impacted the amount of interaction between business lines. Hiring and training became business-line rather than Group functions; and rotational training programs focused on rotations within rather than across Maersk's business lines. Together, these changes impacted the employee culture. As Pejter said, "when your company grows that fast, then the relationship between the management and those employees at the end of the chain changes as well."

Maersk also implemented more performance measurement standards, and letting go of underperforming employees became more commonplace. As Jorn Madsen, a senior executive with Maersk Oil, argued, "I think that for many years some people would say that we have been conflict-avoidant. Conflict handling is something that we've not been very good at—having the difficult conversations, getting rid of people. It has to do with [the fact] that we spent so much time on getting them in, and therefore it often more reflects on the managers when they have to let a person go—why are you not able to get this person to work? But I think, in general, we have become much better at that. We also have become much better at saying, 'Well, you probably don't fit in here anymore. You need to find yourself another place to be.'"

At the same time, Maersk was becoming increasingly global, in both its business and its employee base.

In 2003, Mc-Kinney Møller, who was chairman at the time, sat down with the top 50 managers at Maersk for a discussion about the key company values. Mc-Kinney Møller set forth his views on these values, setting the tone for the discussion that followed. That discussion led to a company-wide rollout—in many ways interactive and collaborative—of Maersk's key corporate values. As part of this rollout, Pejter said, it became apparent that "some of the things that had been going on in terms of leadership and management in the organization were not actually quite in keeping with our values." As a result, Maersk made a number of senior management changes.

Talent Management, 2008–2012

In 2008, Allen was named head of Group HR to help transition the HR function from administrative to strategic, and to position the company for the 21st century. Under Allen, the decision was made to delegate operational responsibilities to the business unit levels. Headcount in Group HR was reduced from 87 to 24 (and all but one of the 24 were new hires). The revamped group had three key priorities. As Allen described, "Today, we have 24 people, and we focus on just essentially three, arguably four, areas. Number one is getting the right people in the right jobs at the right time for our top 1,000 employees. Number two is leadership development [because it] drives business results. Number three is differentiation in terms of rewards and pay for performance. Inherent in all that is performance management."

Under Allen's leadership, Group HR implemented a new talent-management process. The talent management process consisted of five components: attraction, identification, development, deployment, and scenario planning.

Attraction The first piece of the talent-management process was "attraction," the process of bringing the right people into the Group. Under the newly restructured HR department, this was largely the responsibility of the business-unit HR departments.

Identification The second component of the process was "identification," represented by People Strategy Sessions (PSS). For Group HR, the talent-management year began in January with the PSS, which was a discussion between Maersk's six-member executive board and the head of HR, focusing on the top 120 positions in the company. As part of this review, they considered the firm's major needs and, as a result, the required capabilities of its talent. They looked at these needs in the context of the Group's five-year business plan and how it might impact any changes to these requirements. For example, was a large acquisition being considered that might put a strain on existing resources? Were changes in HR needed in light of a recent accident in one of Maersk's business lines?

The top 120 positions were then labeled as mission critical (30%), impactful (60%), and less impactful (10%). In sorting the positions this way, they made careful comparisons across business units so that not just the importance of a particular position within a unit was considered, but also the relative importance of that unit within Maersk as a whole. For example, the CFO of Maersk's biggest unit might be considered alongside the CEO of a smaller business unit.

Next, the board and head of HR reviewed the individuals in these top 120 positions. The reviewers asked, "Who are the people who have performed outstandingly? How have they done it? Is that performance sustainable?" Employees were categorized as high performers (30%), successful (60%), and less successful (10%).

Finally, the two reviews were lined up side by side so that management could evaluate whether the Group's best people were in the most important positions. As Pejter noted, the reviewers would ask of each mission-critical position, "If this position is done optimally, what impact would that have on the organization?"

From the PSS, management and HR emerged with an action plan. The PSS allowed them to identify (and prioritize) talent gaps in the organization and to come up with a basic action plan. What needed to be done? Was it a training need? Did an employee need to be moved? Should they bring someone in from the outside?

The first PSS was held in January 2009, and Pejter recalled, "In the first year, we had a lot of action plans but that number has been decreasing." Pejter also noted that the PSS became increasingly more productive as managers prepared more thoroughly and became more familiar with the key positions and the people in them.

A PSS was also conducted in each of the major business units, with the management team of each unit reviewing their top 75-100 positions. Each business unit adapted the PSS process slightly to fit its own needs. As Pejter explained, "The core of the process remains the same, but different business units use it differently . . . give it a different flavor." For example, at Damco a key client was invited to participate in the PSS process.

The PSS was also integrated into the global compensation system for senior leaders, with an individual's PSS rating functioning as a cap on what that person could earn as an annual bonus. Bonus numbers were based on Group or business unit performance and personal performance, which was based on both what results were achieved and how they were achieved. "High performers" were entitled to the maximum bonus. "Successful" employees were entitled to a payout of up to 50% of the maximum, and "Less effective" employees could earn only 25% of this maximum number. Pejter recalled that in 2010, with extremely strong Group business results, PSS ratings were an important factor.

After experiencing three cycles of this process, Pejter noted that the link between the PSS rating and the annual short-term incentive strongly reinforced the company's commitment to reward performance and drive the talent-management strategy.

Development The third part of the Group talent management process was development—and much of that stemmed from the action plans of the PSS. In recent years, broad universal training programs were replaced with more individual training and development. Additionally, while traditionally training efforts had been focused almost exclusively on trainees, a greater emphasis was now placed on the training needs of experienced employees.

Deployment The fourth part of the talent management process was deployment. Maersk replaced its focus on meeting talent needs internally with a more balanced strategy. By 2012, 70% of executives were internally developed while the remaining 30% had been brought in from outside the Group. For external hires, the benchmark was whether the person could be a high performer within two PSS cycles. For each vacant position, HR reviewed the candidate list and asked, "These are the best we have, but are they also the best we can get?" Maersk had also come to utilize partnerships with external consultants in areas where management felt they didn't necessarily need the skill-set internally (for example, partner with a third party on an IT project). This was a big change for Maersk, as historically management felt strongly about keeping all expertise in-house.

With respect to deployment of internal resources, one area of focus for HR was "talent intimacy"—understanding not only which individuals were qualified to do a particular job, but also which were willing to do it. Is the candidate willing to relocate? What family and personal commitments might prevent them from accepting a new position?

Scenario planning Finally, scenario planning was the last piece of the talent management process. Historically, HR had regularly updated a detailed succession plan for key positions. However, when Allen joined Group HR, they realized that these plans had not proved particularly useful. They stopped working on new plans for a couple of years, and then, in 2010, piloted "scenario planning." This involved looking at a five-year plan for each unit and assessing the unit's major people needs going forward. Was this a growth business? Would they be making acquisitions? Selling off business lines? HR also put in place more formal succession plans for approximately 12 senior, high-risk positions. These positions included the six executive board members, and six other positions that the board deemed as high risk. (Some of these cases were based more on the individual than the position. For example, if the board was aware a senior employee was thinking of leaving the Group, the position was considered high risk.)

Measuring performance Employees with Maersk have argued that post-2008 there was an increased emphasis on performance measurement and standardized benchmarks. As Michael Chang Bjornlund, an employee with Maersk Line's Network & Products division, explained, "before, we were smaller, we were less structured, and we were all about just doing business, everybody looking at their own piece of the puzzle and doing the right thing themselves." He continued that today, "Maersk Line is incredibly driven by objective settings and key performance indicators (KPIs) and schemes that dictate behavior." Morten Wedel Jørgensen, an employee with Maersk Oil, concurred, stating, Maersk "has become more performance focused … more focused on accountability for the part of business you're in—there is more transparency around who is responsible for what, exactly. "

The widespread implementation of benchmarking made it more difficult for underperforming employees to last at Maersk. Jørgensen posited, "So I think [for] people who don't perform, it's clearer to see how not performing will influence your career here. So, for example, people around me who do not perform, it's clearer to see how they are then given some short-term objectives to fulfill, and if they can't do that then they will have to leave. I think that process has become much clearer, whereas before there was at least a perceived tendency that even if you didn't perform, once you were here you could stay here for a long time."

However, many argued that the use of formalized benchmarks also had its costs. Bjornlund argued that "very rigid KPI structures don't really encourage cross-functional collaboration." He added, "And I know it's one of the downsides of objective setting like that. The upside is of course it makes people know exactly what they need to do, and there's no doubt about what you're being rewarded on, but I think it's come to the point where we tend to forget the end-to-end picture, the holistic picture of our business, and we've become too focused on our own turf."

Talent Management Challenges

Retention

The first issue that Allen and Pejter needed to discuss was the increase in Maersk's historically low employee turnover rate. Turnover was rising across business lines but was particularly worrying in some areas. For example, of the 400 trainees, from 80 countries, hired per year, only 20% of them were still with the Group after five years. Also, Maersk's energy businesses had seen a notable uptick in attrition—annual voluntary attrition rates in Maersk Drilling had recently risen from 1%-2% to 5%.

This rise in attrition, combined with rapid business growth, had resulted in sizable hiring needs. As Jørgensen explained, "We're hiring (a) because we're a growing business, and (b) because the attrition in the oil and gas industry is substantial." And Karsten Breum, head of HR at Damco, added, "We have had to attract a significant amount of people outside the group into Damco because we've had a very limited pipeline." While it was difficult to keep up with these hiring needs, Breum commented that, on the plus side, "We've become a lot more diverse, we've become a lot more dependent on people from other companies within the industry."

Development

Hiring inexperienced individuals and providing them with training had historically been the hallmark of Maersk's recruitment program. Its hiring processes were extensive, and involved numerous tests (including psychometric tests originally designed for U.S. fighter pilots[2]) and multiple interviews, often with five to six Maersk employees. Maersk also created personality profiles for all employees.

The entry-level training program lasted two years. Individuals were hired straight from college or high school. The program involved formal training modules as well as on-the-job training. During the two years, trainees rotated through various functional groups. Additionally, many trainees opted to pursue part-time studies in the evening at Copenhagen Business School. After the initial two years, all trainees were guaranteed a two-year placement overseas.

Following the initial training and overseas placement, the Group provided its employees with the flexibility to move around in the company and with other opportunities that encouraged employees to stay with Maersk over the long term. As Jorn Madsen explained, "Maersk is very open to what you would like to do with your career. There's an opportunity to move horizontally into jobs that you haven't had before. In general, we look at people's performance more than we look at their formal backgrounds, and how well they perform in their jobs—most jobs you can learn. So, I think that's why I've stayed here so long. Because there has always been an opportunity to do something I haven't done before."

In 2003–2004, Maersk began to look at a number of new training initiatives. In 2005–2006, it launched a series of programs aimed at decreasing the time it took trainees to progress to the executive band. At the time, it took 15–20 years on average, with the fastest movers taking 12 years. The first of the new programs picked up a select number of employees as they came out of the trainee program. The program lasted three years, and provided support for these employees as they progressed to the general management level. After this, selected employees entered the Emerging Leader program, which was designed to take employees from the general manager band of the organization to the director band of the organization. And finally, the Executive Acceleration program was designed to take the directors and catapult them into the executive band. The program would include approximately 1% of employees, targeting the most promising. Pejter explained the objective of these programs: "The success criteria that we put up for those programs were that they would have to have an increased retention ratio for the people that were on the programs, compared to the control group, and that secondly, the programs should support those people's careers accelerating at a faster pace than the control group."

By 2008, with a new CEO and with Allen's arrival as the new head of HR, the preliminary results of this new training program were reviewed. Initial results showed above-average attrition rates for program participants, and so, given the costs, the lack of a return on their investment, and shifting HR priorities, the program was closed down.

Under Allen, there was a shift in Maersk's internal training to emphasize leadership development. Allen elaborated: "One of the things we decided that we would be involved in is training that supports what we expect of our leaders. We expect three things of our leaders. One is to deliver the results. Two is to be a good and inspiring leader. Three is to live the values of the organization." He added, "The piece around being a good and inspiring leader is really the piece that our leadership training focuses on. That's basically all we do from a leadership development standpoint, because … You essentially cannot be a successful business leader, if you can't be a successful people leader." Pejter noted that Maersk changed the design and focus of executive training; it was no longer viewed as a reward to be given to high-performing employees. Instead, the view was that "it should be given to people who need it to perform better in their jobs, instead of a bonus."

The idea of individualized, need-based employee training had become popular with a wide range of firms in recent years. Many firms embraced this concept alongside pay-for-performance initiatives, with highly ranked employees who exceeded performance targets eligible for bonuses, while lower-performing employees were let go, moved to new positions, or provided with training to help improve their performance. TIAA-CREF, for example, introduced a new performance evaluation system in the 2000s whereby employees were ranked on a scale of 1–5. Employees with top scores under this system were entitled to a bonus and a merit increase of 5%, while employees with lower scores were reviewed by their managers to determine if they were in the right position or if they needed additional training.[3]

Maersk HR also believed that some training was best done on an individualized basis, rather than in a broad training program. And here, again, the concept of talent intimacy was stressed. Managers focused on getting to know their employees such that they could understand not only what each employee's needs were, but how that employee learned best.

HR created a "Development Shop"—an online depository for training and learning resources. This included materials from 250 business schools globally, and covered such areas as financial acumen, strategic leadership, and self-leadership. Training offerings consisted of traditional classroom learning, e-learning, and business articles. Everyone in the firm was given access to the articles and other free materials. All courses required approval, with online courses generally restricted to the top 2,000 employees and classroom courses to the top 300 employees. HR found that some executives wanted to "self-service" their development needs; these individuals focused on online learning options. Others preferred learning with their team or via classes.

Integrating Experienced Hires

As discussed, the hiring of experienced outside individuals had become an increasingly important piece of Maersk's HR strategy. Allen and Pejter contemplated the pros and cons of this strategy. Was this a positive for the company or should they be making more efforts to develop and retain home-grown talent?

There was also a growing sentiment among many within Maersk that bringing in outsiders was good for the organization. As Pejter commented, relying solely on internal talent could result in a "lack of fresh eyes and energy." Internally, Maersk referred to this new, balanced talent development approach as "build, buy, or borrow." Jesper Madsen commented that "what we have done from an organizational point of view is instead of focusing only on building from inside, it's now a strategy where we build, and we also buy, from the outside … it's a strategy of a more mixed approach than what we used to have, say, ten years ago."

However, many believed that Maersk did not do enough to support these hires, and that Maersk's strong and cohesive culture made it difficult for experienced hires to succeed. Jorn Madsen observed, "We have just, in our business unit, taken on some fairly senior people. It takes a long time for them to fit in. The culture is difficult to get into, because most of us have grown up with it, so we know all the dos and don'ts. We know how to get things done and how to make allies and how not to make enemies and how to get your projects through the systems and get traction." Madsen continued, "There are extensive programs for junior hires, but nothing in the way of training or coaching for experienced hires." Jørgensen concurred, explaining, "There is a graduate program for technical graduates … But for me coming in as an experienced hire on a different career track, there isn't any."

Bjornlund, a boomerang hire in Maersk Line, had a similar experience.

> When I came back, it was part of a deliberate action to bring in new blood from outside … we do have a lunch every month, with the six other guys that were hired under those terms, so to speak. And I can tell that that's one of the things they found difficult. So they hadn't been in the company before, and they felt that it has been a little bit difficult to establish themselves in

terms of getting to know people, because knowing people is often . . . a prerequisite for getting things done, and it can be hard to maneuver if you don't know people.

The Practice of Re-Hiring

While rehiring former employees was not a new phenomenon, it had received increased attention in recent years. In a 2010 survey by OI Partners-Career Management Resources of Atlanta, 50% of employers reported that they planned to hire former employees.[4] And, John Sullivan, a San Francisco-based human resources adviser, estimated that up to 10% of new hires at many companies were boomerang employees.[5] In some firms this number was even higher. For example, according to Karen Wensley, Ernst & Young's HR manager in Toronto, 15%–20% of that firm's hires each year were previous employees.[6]

In some instances, boomerangs had left the firm voluntarily, while in other cases, they had been laid off as part of a downsizing. The length of time that employees were away from a firm before returning also varied, but according to a study of 450 boomerangs by Abbie Shipp at Texas A&M, nearly seven of the 10 rehires returned to their firm within three years.[7]

Many employers argued that, in the right circumstances, a boomerang could be lower risk and less costly than other hires. Given that the employee was known to the firm, the hiring and recruiting processes could be shorter and less labor-intensive. These employees were often also quicker to get up to speed, reducing initial training costs. The talent recruitment firm Hudson did a survey of 1,046 employers, and nine out of 10 of them ranked the boomerangs in their firm as "above average" performers.[8] Boomerangs were also believed to have higher retention rates; they had a clear sense of what they were getting into when they joined the firm.

Given this, many firms, particularly in the services sector, sought out former employees as a source of new hires. A study by Cranfield School of Management found that 25% of private sector firms actively pursued boomerang hires.[9]

As part of this effort, firms had set up alumni networks to allow for ongoing communications with former employees, keeping them up to date with changes and new opportunities at the firm. McKinsey & Company began organizing activities for former employees as far back as the 1960s. Credit Suisse Group AG launched the Credit Suisse Alumni Network in October 2010. Ernst & Young, Deloitte, Booz Allen Hamilton, and IBM had also set up initiatives to keep in touch with former employees. As of 2008, IBM's alumni network comprised approximately 38,000 former employees. Ethan McCarty, who managed alumni relations for IBM, explained the rationale behind the network: "It just makes sense for companies, especially in the services landscape, to keep in touch with alumni because hiring back formers is a cultural, financial, and productivity advantage." He added, “"IBM's business has changed radically in the last five years to the tune of billions of dollars … People come and go out of IBM all the time. It's important to us to keep alumni abreast of all kinds of opportunities and skills that come up."[10] In 2012, Booz Allen Hamilton's company website read, "It's always our goal to retain our best employees. The reality is, great people do leave the firm for a variety of reasons. It's also true for Booz Allen Hamilton that many who resign end up coming back. It's such a frequent occurrence, we've dubbed this special group Comeback Kids."[11] Likewise, Craig Roskos, managing partner of Ernst & Young's Winnipeg office, explained, "We welcome the opportunity to have alumni return to our organization, as they understand our processes and culture and because they've stayed in contact with people here, they're already well-connected."[12] Neal Wendel, a Credit Suisse managing director, concurred, stating, "We know them, and they know us."[13]

And, from the perspective of the boomerang employee, returning to a previous firm could have simply been a matter of coincidence—it happened to be where the best opportunity was—or it could have been a case of actively seeking to return to one's prior firm. Cecilia Atkinson, general manager of Celestial Seasonings, a tea company at which 11% of employees were boomerangs, argued that her firm's boomerang phenomenon was largely a function of the latter. "Celestial Seasonings has been ranked as one of the best places to work in Colorado and in our corporate culture, employees feel as much like family as coworkers. Our high number of long-term and boomerang employees speaks to our dynamic and caring environment."[14]

Historically, Maersk had an unwritten but widely upheld policy of not rehiring former employees under any circumstances. As one employee recalled, "In the old days, it was a bit like—they abandoned ship, and they could never return, because it was borderline treason that you did that before your retirement age." Jesper Madsen (a VP in HR at Maersk Drilling) concurred, stating, "If you go 10 years back, this was a family-owned business with a very traditional mindset in terms of coming to work at this company. It was sort of seen as joining a family, entering a marriage, and if you broke that bond, then you were not welcome back."

In the 2000s, in connection with the strategic corporate redirection, HR began to question the wisdom of the policy of not rehiring former employees. Hiring needs were increasing, and the decision was made to reverse this policy and to consider returning applicants on an opportunistic basis. As Pejter recalled,

> [The no-rehire policy] was really limiting some of the opportunities to get the best people in the market, because some of the best people within our industry had at some point worked within…And where we, perhaps, could see that they left the company because we didn't have the right job opportunities for them at the time, it somehow felt like a little bit of a waste to not bring them back in when you knew that they understood the company culture, and they hadn't left for performance reasons, and they hadn't gone to competitors.

Jesper Madsen attributed the reversal of this policy to the changing culture at Maersk:

> I think we have grown out of the family-oriented type of business culture into a more performance-driven culture where it's not really about engaging into that marriage type of relationship with a company, but it's about making a contract where you agree that as an employer, we would like to get you in. And as an employee, I would like to get in, and offer my services for a period of time, and perhaps some time down the road, I want to try something else, but if I've been a good performer, I can certainly come back. So I think that the rationale behind that change should be seen as a change—or at least a modification—of our DNA.

Allen explained: "What we said is that if there are people that have been successful in the organization, they left for the right reasons—they didn't leave us in a lurch, they didn't disparage the company on their way out—and they were truly high performers, then we ought to rehire them." Pejter and other HR personnel sat down with the business-line heads to let them know that they should consider rehires where appropriate. Before rehiring a former employee, HR, as a rule, checked with their old unit to ensure that the employee had left on good terms.

Because of the heavy geographic rotation of employees within Maersk, having people move in and out of groups was not uncommon. Maersk employees tended to return to the Group at their "peer level," where they would have been had they remained with Maersk. While no statistics were kept on the number of rehires, HR believed that they were occurring across all business lines.

Returning employees also spoke positively about their experience with Maersk. One employee, who left Maersk Line to do an MBA and subsequently spent several years with a strategic-consulting firm, explained that he returned to Maersk because of an attractive opportunity in their oil and gas business. He believed that there were benefits to being a boomerang, noting that there were "some advantages in having a network already, and also understanding some of the other businesses that [Maersk was in]. I think that has been actually quite a big advantage, especially in dealing with Group level functions." Likewise, Bjornlund argued, "It was definitely easier because I knew people, even though I had only been here for four years and it had been quite a while since I was here. I knew people here, there, and everywhere, basically. "

Building an Inclusive Culture

With a Danish founding family, which continued to own a majority stake, and its position as Denmark's largest company, Maersk had traditionally been very much a Danish company. Breum observed, "Our mentality was Danish, our way of thinking was Danish, our leadership team was Danish, our talent programs were only Danes, our trainee program was only Danes."

However, in recent years, that had begun to change, and as Maersk grew larger and more globalized with respect to its business operations and its customer base, its employee base and its corporate culture began to reflect more diversity. Breum commented that this trend was first evident in the trainee program:

> Our trainee program grew to become a lot more international gradually and that, I think, was a significant vehicle for changing the entire mindset in the company, also at the leadership level. But these things take time, and all of a sudden we now speak English in any meeting that you attend. At the coffee machine and the canteen you speak English because you know there are international colleagues around you, and we have become much more focused on hiring and on developing and retaining a much more diverse talent core.

With expansion efforts focused largely on developing markets such as Asia and Africa, and with significant and growing hiring needs, Allen and Pejter realized that building a corporate culture that would allow them to attract and retain talent from all over the globe was of paramount importance.

The HR-Customer Initiative at Maersk

In 2009, Maersk Logistics, Maersk's supply-chain management business, and Damco, its global freight and ocean-forwarding operations, were separated from Maersk Line to form their own business unit, branded under the Damco name. Jeremy T. Haycock, president of Maersk Logistics USA, said of this move, "The liner shipping and logistics and forwarding business models are very different, and it has become too complex to run the two as an integrated business."[15]

Maersk's management hoped that by splitting the businesses, Damco would be better positioned to conduct business with other shipping companies. At the time of the split, 70%–80% of Damco's business was with Maersk. However, by the end of 2009, this number had declined to less than 50%, as Damco built up its relationships with other shipping companies. Separating the two businesses allowed Damco to offer customers a "carrier-neutral solution."[16] In 2009, Damco hired a new CEO, Rolf Habben-Jansen, who joined Damco from DHL, where he had served as CEO of DHL Global Customer Solutions. By 2012, Damco had over 10,800 employees globally. Damco employees managed the logistics for more than 2.5 million TEU of ocean freight, and 110,000 tons of air freight annually. 2011 revenues totaled $2.8 billion, and Damco generated $97 million of EBIT.[2]

In 2010, Damco executives met to consider ways to improve their relationships with corporate clients. As Breum explained, "Like many other businesses, of course we would like to believe that we are customer-centric, and I think a lot of businesses talk about it. The question is what exactly does it mean, and what does it mean from an HR point of view?" From these discussions came the idea to open up Damco's PSS (People Strategy Sessions) to its best customers.

Breum described Damco's approach to the People Strategy Sessions, which was in many ways similar to the approach taken by the Group: "We look at the top 120 positions in the organization, and then we go through a review of these positions, and we rank them as mission critical, critical, less impactful." This review was based on Damco's three to five-year corporate strategy, and once the positions were reviewed, the people in those positions were assessed. Breum and other senior managers would rank them as

> high performers, successful performers, and less successful performers, and then we look at different combinations. So we look at our mission-critical positions and we look at the people that we have in those roles but … ideally we would like to see that in these mission-critical positions we have high performers in almost all of them.

Damco began by opening up its PSS to one of its largest customers in late 2010. At the time, Damco provided a large percentage of this client's supply-chain management needs, and 70–75 Damco employees worked exclusively on this account. The client's primary concern was "to make sure that their operations from a supply-chain management point of view run smoothly and effectively." To help assure the client that Damco had the appropriate resources to best serve their needs, and to allow them to have input into the hiring, promotion, and development of those employees working on their account, Damco invited the client to participate in a PSS. As Breum explained,

> The rollout started in a regularly scheduled review with the client. The client asked, "Did we have a contingency plan, did we have a succession plan?" And we then said, why don't we take this a step further, and then actually go through our team and identify what are the key roles where you really think we need to have a bench and a plan in place if something happens, and then also review the current team together with you to understand where you see the talent in our organization.

At the PSS, Damco managers discussed the key positions from the customer's perspective. Were the right people sitting in these jobs? What was the best way to develop and retain these people? (And here the discussion was both general to the employee population overall and specific to each key employee.) They looked at "bench strength": "What happens if this individual resigns or if we were to move this individual to another position in our organization? Do we have a back-up? Who would back-fill that job, who would make sure that … there is continuity?"

Sanne Moller, a former Damco employee, argued that client involvement in the PSS was a very successful initiative, stating that "the general impression that I get is that they [the client] are extremely excited about the opportunity, at this way of interacting and being invited in and creating a relationship." She added that the client "[got] very serious about the strength of the team, the people in our organization that work for them and, often, they know almost more about these

[2] Earnings before interest and taxes.

individuals and their performance [than we do] … the interesting part here is also that it becomes a little bit of a gray zone [as to] who is actually your employer."

Moller argued that the biggest challenge with respect to opening up the PSS was the "lack of control and losing control because you put something that typically is very internal and place it … outside the organization." On the other hand, by bringing external people into the process, Damco benefited from new and different perspectives and the result is often "high engagement from the customer side."

In addition to allowing one large client into its PSS, Damco managers also hosted large workshops where business leaders sat down with clients and discussed major issues. Moller observed, "And what I see in these sessions is you have 35–40 people in these workshops from all over the world … what happens in the room, and I've seen it at three different workshops now, is that there is an extremely high energy level and engagement from both sides and actual business opportunities being discussed." She added that the participant questions at the customer sessions are "typically very oriented towards them [Damco's clients]. How can we help you improve your business? What matters to you? And from what you see in the presentation, and what the participants also realize, is that … there are some similarities in what the customers emphasize, but also some differences."

While these initiatives were designed and launched by Damco HR, they required full participation of the business leaders. Should one client experiment be expanded to include other large Damco clients?

Looking Forward

Pejter and Allen considered each of these HR challenges in turn: rising retention rates; changing development needs, reflective of a changing workforce, along with a desire to better target training resources; the hiring and integration of experienced personnel; the practice of rehiring former Maersk employees—was it working? Or, did the practice need to be amended or abandoned altogether? And, finally, building a more diverse and inclusive corporate culture, a culture that was in line with, and support of Maersk's overall business objectives.

Which strategies were likely to serve Maersk well as it focused on continued growth and improved profitability? Which, if any, represented a waste of their valuable HR resources? Or were there other areas on which HR should be focusing?

Exhibit 1a Maersk: Five-Year Share Price Performance (Share Price in Danish Krone (DKK))

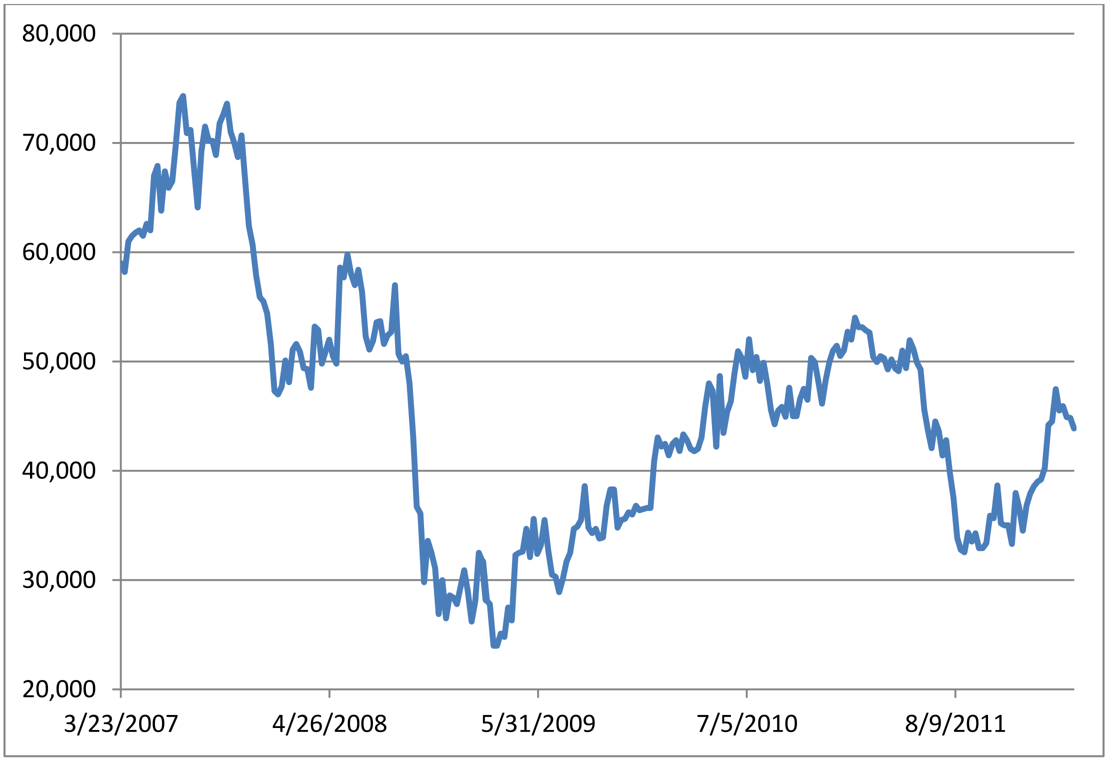
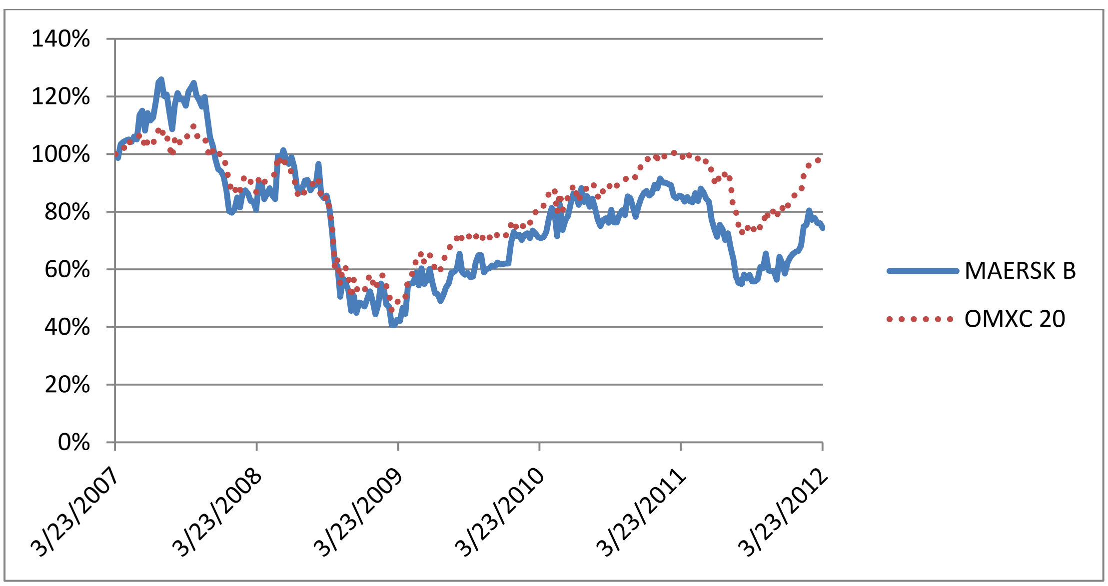


Exhibit 1b Maersk: Five-Year Share Price Performance (Relative to OMX Copenhagen 20, Indexed to 00%)



Source: Thomson Reuters.

Exhibit 2 Maersk: Five-Year Financial Summary (USD in millions)

	2011	2010	2009	2008	2007
Revenue	$60,230	$56,090	$48,580	$61,270	$51,278
Profit before depreciation, amortization, and impairment losses, etc. (EBITDA)	$14,661	$15,867	$9,193	$16,478	$11,919
Depreciation, amortisation, and impairment losses	$5,396	$6,015	$5,658	$5,122	$4,816
Gain on sale of non-current assets, etc., net	$887	$674	$159	$914	$1,113
Share of profit/loss in associated companies	$122	$82	$67	-$369	$566
Profit before financial items (EBIT)	$10,274	$10,608	$3,761	$11,901	$8,782
Financial items, net	-$852	-$936	-$980	-$1,533	-$755
Profit before tax	$9,422	$9,672	$2,781	$10,368	$8,027
Tax	$6,060	$4,655	$3,805	$6,927	$4,507
Profit/loss for the year–continuing operations	$3,362	$5,017	-$1,024	$3,441	$3,520
Profit/loss for the year–discontinued operations	$15	$1	$0	$21	-$98
Profit/loss for the year	$3,377	$5,018	-$1,024	$3,462	$3,422
Total assets	$70,444	$66,756	$66,511	$64,925	$64,648
Total equity	$36,190	$34,376	$30,610	$29,972	$28,903
Cash flow from operating activities	$7,262	$10,132	$4,679	$8,524	$7,313
Cash flow used for capital expenditure	-$9,759	-$4,638	-$7,874	-$10,281	-$9,000
Investment in property, plant, and equipment	$7,804	$4,745	$7,867	$11,990	$10,652
Return on invested capital after tax (ROIC)	8.3%	12.2%	-0.3%	10.1%	10.1%
Return on equity after tax	9.6%	15.4%	-3.4%	11.8%	12.9%
Equity ratio	51.4%	51.5%	46.0%	46.2%	44.7%

Exhibit 2 (continued)

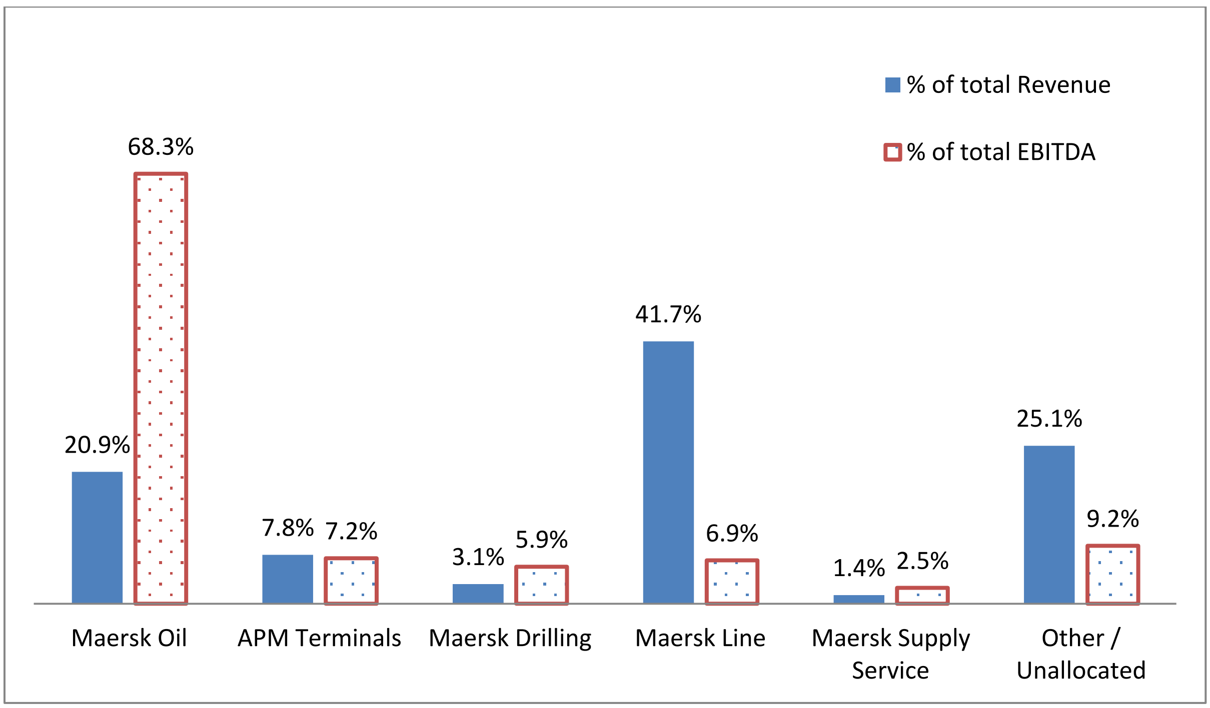
	2011	2010	2009	2008	2007
Earnings per share (EPS)	$650	$1,078	-$312	$809	$795
Diluted earnings per share	$649	$1,077	-$312	$809	$795
Cash flow from operating activities per share	$1,663	$2,321	$1,115	$2,072	$1,777
Dividend per share	$174	$178	$63	$123	$128
Share price (B share), end of year	$6,600	$8,998	$7,052	$5,317	$10,719
Total market capitalisation, end of year	$28,018	$38,741	$30,231	$22,002	$43,973
Average USD/DKK exchange rate	5.35	5.62	5.36	5.09	5.44
End of year USD/DKK exchange rate	5.75	5.61	5.19	5.28	5.08
Maersk Line					
Transported volumes (FFE in million)	8.1	7.3	6.9	7.0	6.8
Average rate (USD per FFE)	$2,828	$3,064	$2,370	$3,284	$3,034
Average fuel price (USD per tonne)	$620	$458	$342	$520	$344
Maersk Oil					
Average share of oil and gas production (thousand barrels of oil equivalent per day)	333	377	428	424	393
Average crude oil price (Brent) (USD per barrel)	$111	$80	$62	$97	$72
APM Terminals					
Containers handled (million TEU weighted with ownership share)	33.5	31.5	30.9	33.3	31.0

Source: A.P. Møller - Mærsk A/S, Group Annual Report 2011, p. 11, http://files.shareholder.com/downloads/ABEA-3GG91Y/1747970336x0x547405/335d34dc-51c5-482c-bb8c-b3f3bcd3ddee/Group_Annual_Report_2011_UK.pdf, accessed March 2012.

Exhibit 3a Maersk: 2011 Financial Results by Business Segment (USD in millions)

	Revenues		EBITDA		ROIC	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Maersk Oil	$12,616	$10,250	$10,015	$8,268	36.3%	32.6%
APM Terminals	$4,682	$4,251	$1,059	$869	13.1%	16.0%
Maersk Drilling	$1,878	$1,627	$862	$748	12.7%	11.0%
Maersk Line	$25,108	$24,022	$1,009	$4,507	-3.4%	15.3%
Maersk Supply Service	$824	$772	$368	$384	11.3%	10.5%
Other / Unallocated	$15,122	$15,168	$1,348	$1,091	N/A	N/A

Exhibit 3b Maersk: 2011 Financial Results by Business Segment



Source: A.P. Møller - Mærsk A/S, Group Annual Report 2011, http://files.shareholder.com/downloads/ABEA-3GG91Y/1747970336x0x547405/335d34dc-51c5-482c-bb8c-b3f3bcd3ddee/Group_Annual_Report_2011_UK.pdf, accessed March 2012.

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