

26.05.2014

Individual report

Vodafone Hungary business project:
a valuable place to work



ABSTRACT:

In the maturing Hungarian telecommunications market, with the increasing risk of price wars, due to the indiffereniable consumer product and strong incumbent competitors, Vodafone decided on a change of strategy. In creating a unique customer-experience through its retail pipeline, Vodafone intents to translate customer loyalty in to a sustained competitive advantage. However, due to lower than expected quality of fit of applicants as well as decreasing motivation among its current customer facing staff, Vodafone's Hungary strategy had yet to come to fruition. Thus, the Business project goals was to make Vodafone an admired place to work at. Through a three-pillar investigation, which involved best practices, interviews and surveys the BP (Business Project) managed to identify key areas of improvement and synthesize them in to best practices. This reflection paper attempts to explore one topic further. Vodafone's focus on improving their worst performers is in need of some new ideas. By identifying a set of best practices that are mindful of its cultural context and positive in its nature, it aims to increase the employee satisfaction. Making Vodafone retail a truly admired place to work at

Ola Eggen Thorseth

CEMS MIM & MASTER OF MANAGEMENT #15001300

Content

- Brief context: Vodafone as an admired place to work..... 2
- Further development (helping the underperformers)..... 4
 - Company background and original approach to attrition policy 5
 - Main limitations 5
 - Cultural Caveats 6
 - A New proposal 7
 - Conclusions 9
- Learning reflection 10
- List of references..... 12
- Appendix 13

- Figure 1: Hofstede’s cultural dimensions (The Hofstede center, 2014)..... 6
- Figure 2: Negative survey results 13
- Figure 3: Positive survey results..... 13
- Figure 4: Would you work for Vodafone? 14
- Figure 5: Proposed actions from BP 14
- Figure 6: Vodafone skill comparison 15
- Figure 7: Vodafone task comparison..... 15

Brief context: Vodafone as an admired place to work

Our CEMS business project was done on behalf of Vodafone Hungary, a fully owned subsidiary of Vodafone Ltd, the world's second largest telecoms services company in number of customers. Vodafone Hungary 2.6 million customers and over 1400 employees makes it one of the leading telecoms company in Hungary. Vodafone has a vast network of franchise affiliates throughout the country, with 27 brand stores directly controlled by the company. The company currently holds around 22% of the Hungarian Mobile subscriptions and are currently the third largest mobile services company in Hungary, behind T-Mobile and Telenor (National media and infocommunications authority Hungary, 2012)

Vodafone Hungary operates in a saturated market. According to the Hungarian Telecoms-authority, there is a 117% subscription ratio (ibid), meaning that the room for large-scale growth above rapid technological change and population growth is not there, E.g. consisting with the classical definition of market saturation. According to the Hungarian national media and intercommunications authority, Vodafone market share has changed with less than a percent in a year. Thus, Vodafone understood that a shakeup of strategy was needed.

Given that the telecoms industry competes in a market with essentially homogeneous goods, incumbents strategies often operates as strategic complements to each other. Vodafone could reduce its price but must expect the other incumbents to do the same, creating the preconditions to a possible price war. Potentially destructive price wars lead Vodafone Hungary to investigate other capabilities in order to establish a sustained competitive advantage and thereby increase its market share to become the second largest operator in Hungary, Vodafone's mission. Vodafone strategy is to differentiate through the creation of a unique customer experience by creating a positive relationship with their customers.

Through a commitment of resources in to the stores and sales representatives, Vodafone Hungary attempts to facilitate this strategy. Firstly, through a commitment to change in leadership and management at the underperforming, fully owned stores, then through an upgrade of the retail stores look and feel. Finally, through a commitment to increase the potential of its customer facing staff.

These actions creates the context in which Vodafone created our business project. Vodafone wants to make a powerful positive impact in the perception of Vodafone retail as a workplace, both to its current and future employees.

In order to embed the BP with value for Vodafone, we believed our conclusions and recommendations should rest on three pillars. Firstly, through an extensive study of the best customer facing practices. In an effort to avoid conformist thought we explored a wide reach of practices, from IKEA to Zara. The BP group also conducted a survey, where we were given an insight on how Vodafone was perceived as an employer, by understanding its appeal and negative perceptions. Finally, the BP group conducted an extensive round of interviews, which gave an insight in to the problems of the customer facing staff. Based on these resources, the BP group were able to identify three major areas for improvement.

Firstly: recruitment and initial training. Vodafone struggles to hit the right personnel due to the perceived notion of limited career tracks and a lack of understanding of the company culture. There are also mobility issues, which makes it especially difficult to hire and retain good personnel in more remote cities

Secondly: career opportunity. Vodafone needs to improve the career potential of its sales force and store managers and show this progression to potential employees. Limited career tracks and creates a belief among some that they hit a glass ceiling, which frustrates and demotivates customer facing staff and potential new employees. The BP group identified this problem in both interviews and surveys.

Thirdly: Work environment. The BP group identified how the stores look affects productivity and wellbeing between the workforces. It is also important as an advertising board for Vodafone's values. It also showed the need to create a sense of "esprit de corps" among the personnel, which entails the importance of addressing the problem of underperformers

The Business project action plan attempts to alleviate some of these hindrances and improve already current practices to ensure that Vodafone's goals as a valuable place to work is established. Our action plan consisted of short-term fixes, 12-month goals and finally long-term strategies, where we gauged feasibility and which relevant KPI could be used to identify the progression of the actions. Short-term goals consisted in establishing career track with personalized examples and promotion of internal hiring platform. It also suggested that the platform could be utilized to share new insights gained from the floor level via an online platform. All the relevant actions are stated in the action plan found in the presentation. As a finally note, The BP group struggled to find applicable actions, not ideal in order to ensure that Vodafone found value through the BP project.

Further development (helping the underperformers)

The main element of the BP was to improve the employee satisfaction and thereby improve recruiting to Vodafone Hungary's sales and customer facing positions. Through a thorough investigation, the BP group identified best practices, by synthesizing the findings from the best practices, Interviews and survey data. The BP group divided its actions into three major sectors, recruitment, career and work environment. However, the BP group also found issues that transcended this division.

Through the survey done in the business project, The BP group realized what the double-edged sword, uninspiring customer facing personnel created for Vodafone Hungary. 25%¹ of the respondents in the survey stated that a bad personal experience had created a negative perception of Vodafone as a place to work. A problem that might partly explain the discrepancy between Vodafone retail's lower ranking as workplace, compared to Vodafone in general². Underperforming customer facing personnel functions both as an impediment to recruitment and moral sapping factor for the team. Indeed, one store manager stated, "*some people can through its behavior bring down the productivity of an entire team*".

Thus, an improved underperformance strategy could contribute to improved brand perception as well as improved outputs by customer facing teams. The actions would underpin the new strategic direction of Vodafone Hungary described earlier. The BP group touched upon the problem in the business project in a superficial way but did not look at the problem in a cultural context, nor a context that would empower the underperformers to take destiny into their own hands and change behavior.

As a final note for caution. A prudent and efficient attrition policy aims to reduce underperformers. However, it does not mean that all underperformers should be fired or transferred to other divisions. A good policy changes the underperformer's destructive pattern and changes them into achievers with effective leadership, positive communication and supportive HR programs.

¹ See project appendix and BP project for detailed survey data

² 59% would like to work for Vodafone vs 29% for Vodafone retail in the survey. See appendix

Company background and original approach to attrition policy

Vodafone Hungary has already identified the need to increase potential value creation with the current staff. According to (Castanheira, 2012) key to ensuring a sustainable competitive advantage for a company is to ensure an efficient talent management program that leverage the human resources to create sustained competitive advantages in the marketplace . Thus, in order to comprehend how and appropriate attrition structure for Vodafone's salesforce would look like; we need to understand how the company staff have perceived Vodafone earlier efforts to improve talent management. Through our research, we found that Vodafone Hungary initiated in 2012 project Champion for its pool of retail managers, which functioned as catalyst for sweeping change at Vodafone retail.

The Champion program were initially described as an assessment center for Vodafone retails management. The project was branded as a capability upgrade, which measured eight key competences³. However, where a manager lacking in more than four competences were they effectively factored out of the company (Nuri, 2014). Resulting in the removal of 46% of retail managers at Vodafone's branches⁴ (ibid). Through our interviews we found that champion were considered a good initiative and through our meetings with the company, we also discovered that it is now considered a Vodafone global best practice. However, the measure is not perfect as it created an animosity an unease among staff members.

Main limitations

Although the Champion project were perceived as a success at a company level. The business project group noted several key problems with the initiative. Through our interviews of some of the remaining customer facing leaders, we found that personnel were not informed that Champion was indeed an assessment center, rather it was perceived as a training program that would have a limited impact on their future career. Hackman (Gallo, 2010) points out that effectively communicating to underperformers are key to a positive outcome, which the Vodafone team did little to accommodate when changing 46% of front line managers. Actions that could have reduced the leaderships legitimacy among its customer facing staff.

Clegg 2011 describes the importance of instilling a sense of legitimacy around organizational changes in order to embed the necessary power to sustain the new paradigm. Vodafone's inferior communication of Champion might reduce this factor thus, making future change

³ Confidential Company material

⁴ Vodafone branches are here not defined as all the franchises but rather directly controlled branches of Vodafone Hungary.

harder to implement. These issues were not directly address through the BP project as the group felt it was outside of the predefined scope. The business project group's mission were to identify new ways to attract and retain employees through a strategic approach, where the concept of legitimacy were agreed among the BP member to be an operational approach.

It is important to note that any valuable change in attrition policy would have to be in line with the national legal structure. In cooperation with the Vodafone, did the BP team limit our legal enquires to its minimum, as we found our expertise in this regard severely lacking. However, an attrition policy action plan need to carefully address this issue together with local legal expertise.

Cultural Caveats

One of the BP main limitations, which especially affects attrition policy, was a lack of cultural sensitivity. This can partly be attributed through Vodafone's expressed urge to identify international best practices. The direction helps to identify some global best practices but it increases the danger of creating an action plan, which is less in line with local cultural aspects. (Bucher, 2008) Points to the importance of cultural understanding, which both entails a need to expose oneself to information about cultural differences and appreciate its complex significance. Hofstede's cultural dimensions good starting point.

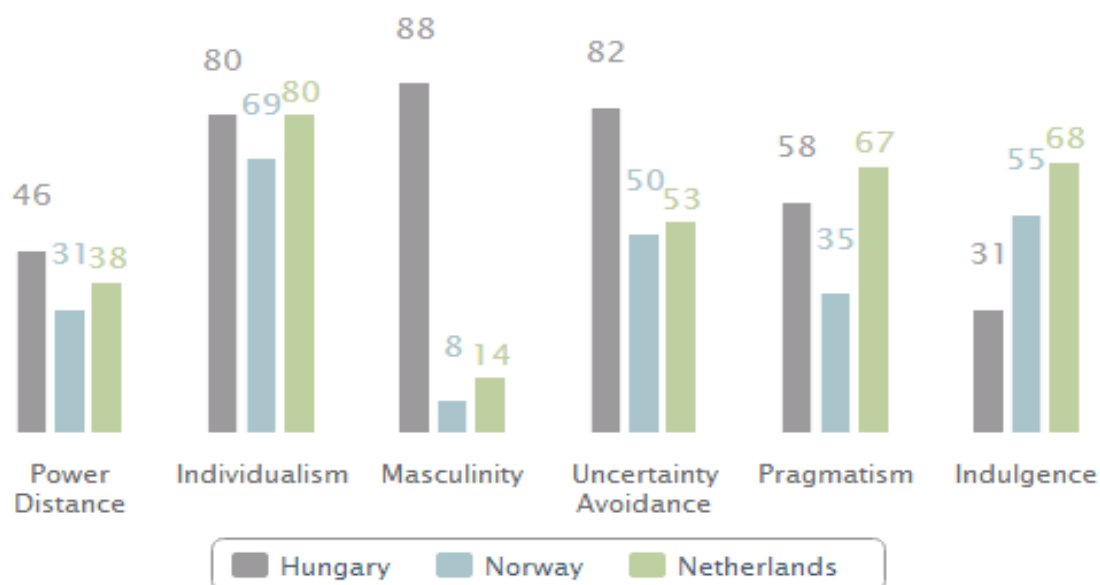


Figure 1: Hofstede's cultural dimensions (The Hofstede center, 2014)

By extrapolating the information given by the dimensions, one can identify outliers and use them to indicate the Hungarian business cultures, special traits. However, one must note that these are general averages and does not directly translate to usable company actions.

Nonetheless, the measurements gives us an indication of certain local traits that must be addressed.

Hungary seems to have a relatively high uncertainty avoidance culture. This in combination with a low indulgence score, suggest that the attrition policy need to reflect a sense of stability and tradition in order to achieve the wanted success. Given Hungary's masculine culture, it might be more important to show explicit rewards in form of physical artifacts like awards and medals and cash based awards to warrant the necessary changes in behavior. The low indulgence score also suggest that any widespread change must be anchored in traditional company culture thus must not be perceived as a radical change from the past.

A New proposal

Hackman describes that a key initial stage for changing the underperformer's behavior is to make the employee aware of the situation (Gallo, 2010). Individuals are quick to deny their own negative behavior, especially if they have some tangible yet subjective way to defend it. In the interview, one of the store managers complained that negative behavior could drag the team down, but underperformer's individual sales figures were not bad enough to warrant a reaction. A sentiment found among other managers as well⁵. Unlike the Champion program described earlier, interactions between the underperformer and the leadership need to foster a positive and trustworthy relationship. (Losada & Heaphy, 2004) Describes that a trait with high performing groups is that they share the trait of "*Realistic enthusiasm*" (ibid). The leader should communicate the problem (realism) but also communicate support, and a real commitment to change (optimism). Thus, interaction between the two forces should be inquiring or asking towards the core of the problem, not evaluating. The initial conversation must refrain from entering a simplistic evaluation scheme, which might reduce the positive impact of the interaction. The focus of the initial discussion should thus, be focused on aiding the underperformer contrary to a self-focused demand list by the management.

Hackman (Gallo, 2010) suggest the following framework to assess what is the specific underachiever's problem. The communication should thus revolve around the following three main groupings.

⁵ See cross section data from the interview for further explanations

Effort: Is the front line person putting enough time and energy in the work. (Gallo, 2010) Organizational hindrance such as an excessive command and control structure can hinder the necessary effort to be applied by the underperformer. Alternatively, it could be the routinized behavior that saps moral to such an extent that the person need a change of venue. Reduced effort could also stem from the fact that some of the Vodafone salesforce have been in the same position for over 10 years, thus finding limited reward in achieving yet another sales target or training a new sales employees.

Strategy: The underperformer must examine whether the lack of achievement is due to failure to reinvigorate the work with new meaning through innovation and openness, rather than relying on routinized structure and behavior (ibid). Is the underperformer inspired by new styles of customer facing interaction and technology, or does it falls in to the trap of using the same old routine? What can the leadership do to reinvigorate the spirit, of any?

Talent: both parties must reflect on the proposition that the underperformer may not have the necessary talent and communication skills to be an asset of the team (ibid). Especially, after the change of strategic direction for Vodafone, is this point important. It is important that both the managers and the underperformer is honest. François Manzoni (ibid) describes the importance of not letting preconceived notions of the underperformer skewing the manager's perception of the employee, thus setting up the person to fail. Similarly must the underperformer be open to that fact that he/she does not have the necessary skills needed⁶

By helping the underperformer to understand where the problem lies within the categories, the path toward change has already started. Through searching for answers, the underperformer and management can decide on the relevant approach to improve performance. Finally, the individual performance plan should be perceived as a stern warning. If behavior is not changed given an agreed timespan, the employee should part ways with his position. One must also note importance of transparent communication of the predefined goals in conjunction with the underperformer and, in this case, the store manager in order to define a measurable change and a period to achieve these goals

Restore reputation: One of the key points according to (Gallo, 2010) is to restore the reputation of the underperformer. According to Hackman (ibid) when the turnaround process has started the underperformers, need to not only perform better but also seem to perform

⁶ The business project can be found in the Appendix

better. It is important to reinforce good behavior from management; however, the underperformer should also actively pursue inputs from colleagues and leadership in order to get recommendations for changing actions and strategy. Hackman (ibid) also notes that there is a reputational lag and that it will take some time to see the results of the underperformer's behavior. Therefore, it is important that management have enough time to considerable change their own preconditions of the underperformer.

Fiasco: Hackman identifies that sometimes change is not possible. (Gallo, 2010) The underperformer can be so deeply entrenched in its own pattern that there is no opportunity to restore confidence between the underperformer and management. Through the process, both can find that, the individual is simply uninterested or disengaged in the work (ibid). It could also be that the underperformer cannot recapture the necessary legitimacy from management or that the entire team surrounding the underperformer is not satisfied with the necessary changes, which in turn will hamper performance. One way would be to relocate the underperformer to another store or part of the organization. If this does not work, the underperformer should be let go.

Conclusions

Through these structural changes, Vodafone could in conjunction with its legal department create a simple set of target and capabilities, similar to the champion project, where underperformers can be identified and efforts can be made to improve the output of the underperformers. Learnings from the champion program can be utilized to improve the set of capabilities that the underperformer are measured. The capabilities should be in line with the national culture, where cultural artifacts such as direct and tangible awards might be cherished higher especially if it is ordained by the leadership. It should also be embedded in to the company culture, given the high uncertainty avoidance that Hungarian culture exhibits.

Finally, managers should instill a sense of realistic optimism in to the relations between the managers and the sales force. Where the focus is on positive interactions that are reinforced through a trusting and inquiring behavior where change and divergent thought is cherished. Open and trustful communication is especially important with customer facing personnel, as negative behavior are not only transmitted through the team, but also are reflected upon customer and future employees. Creating the need for a comprehensive approach to make Vodafone Hungary a truly admired place to work at.

Learning reflection

The CEMS business project and subsequent reflection paper should be thought of as the final bridge between a professional career and academia. At its best, it encompasses both academic rigor taught from courses and soft skills learned through modules and seminars at NOVA SBE. Firstly, I would like to address the soft skill applied through this project. Given that the project encompassed such a wide array of different cultures, from Russia to Portugal via Norway and Hungary, it was of key importance to gracefully apply a certain cultural sensitivity. I remember distinctively that in one of my classes Prof. Pinha Cunha approached me and implored me to be aware of the cultural differences within my group for a class project, e.g. "you are not in Scandinavia anymore". Through the business project, I endeavored to be constantly aware of this fact. Something that in the international Business course were defined as "constant awareness" (Bucher, 2008). The importance of always be mindful of others through its national cultural context, together with cultural understanding and finally CQ skills (which refers to the necessary skills and practices needed in a cultural interactions) make up the basis for cultural intelligence. Which in hindsight were one of the most important success factors for this project.

Teachings from other courses were also applied, both in a direct and indirect form. The way the group initially approached the problem resembled strategic case solving. Approaching the problem from a macro level to understand the company decisions in which Vodafone wanted its retail staff to be its differentiating resource, in competition in a market plagued by price wars, which often happens with an essentially homogeneous product such as mobile subscriptions.

Through the Business project, we conducted surveys and interviews, in which structure and rigorous methodology were applied, with the knowledge learned from the more quantitative courses and approaches in the Management masters. One example is how we approached the data material from the survey. By using simple descriptive statistics, the group were able to paint a general picture on how the respondents perceived Vodafone and in particular Vodafone retail. It is important to note that upon reflecting on the outcome, other courses also played an indirect but nonetheless important part. The way we approached and solved the BP problems was influenced by the teachings from everything from HR to positive

organizations and organizational behavior. Interlinking multiple fields to ensure a successful outcome

Personal Experience

I find some amusement in the realization that working with my Fellow CEMS colleagues are in a sense working with a group of prospective managers. Upon reflection on the CEMS program in general, I note there is a tendency to shape us all in to leadership material. Unfortunately, that is only one of the roles in a group, which can create some tension. I personally love to then take the role of the “analyst” and retreat in to a position of safety, thus letting the others define the leadership role. However, increasingly during the CEMS semesters I found that other colleagues looked to me to take on the leadership role. Especially in the closing stages where there is a need for more structure to tie the pieces together and delegate roles more coherently among the group. Deciding on the workflow and setting deadline fell upon me and were I previously shunned away from these parts, I now took an active role, which I believed had a positive contribution on the outcome.

With the benefit of hindsight, I would have been a bit more aware on the different working styles of others. My essentially Scandinavian directness at the end of the project were by some member seen as steamrolling through the decision process. Some members of the team felt that a more consensus bases attitude should be employed even though the outcome remained the same. I was once again reminded that culture is a potent force even in small groups

In retrospect, I see that we could have done parts differently, both in the structure of the paper, its goals and ambitions but through my own interactions with the Business project group in general. The feedback we got from Vodafone have been for all purposes extremely positive, and their only gripe have been that we had to little data. However, with only one Hungarian speaker in the group it was hard to conduct more interviews and with no budget nor a network in Hungary, difficult to reach more people about the questionnaire. What we could have done were narrow the scope of the project and then manage to make a more elaborate action plan on a limited set of actions. The group found that one of the key problems working at this project was that Vodafone also had a limited comprehension of the scope and goals of the project, thus creating a limited push for narrow focus specter, but instead a more general overview. Which in turn made it harder to translate our finding in to measurable actions.

List of references

- Bucher, R. D. (2008). Building Cultural Intelligence (CQ): Nine Megaskills . In R. D. Bucher, *Building Cultural Intelligence (CQ)* (pp. 11-22). Upper Saddle River, New Jersey: Prentice Hall.
- Castanheira, F. (2012). HRM Lectures . Lisboa : NOVA SBE .
- Clegg, S. K. (2011). *Managing and organizations: an introduction to theory and practice*. London: SAGE Publications.
- Clegg, S. K. (2011). *Managing and organizations: an introduction to theory and practice*. London: SAGE Publication.
- Gallo, A. (2010). *HBR Blog Network*. Retrieved 05 21, 2014, from <http://blogs.hbr.org/2010/10/help-im-an-underperformer/>
- Losada, M., & Heaphy, E. (2004). Losada, Marcial, and Emily Heaphy. "The role of positivity and connectivity in the performance of business teams a nonlinear dynamics model. *American Behavioral Scientist* 47.6 , 740-765.
- National media and infocommunications authority Hungary. (2012, 06 1). *National media and infocommunications authority Hungary*. Retrieved from Flash reports for National media and infocommunications authority Hungary:
http://nmhh.hu/dokumentum/152300/mobil_hang_2012_junius_eng.pdf
- Nuri, G. (2014, 03 01). Commercial skill upgrade: Project JUMP! Budapest , Hungary : Unpublished internal handout.
- The Hoofstede centre. (2014, 05 22). *Geert-Hoofstede.com*. Retrieved from Geert-hoofstede.com:
<http://geert-hoofstede.com/dimensions.html>
- Vries, F. R. (1999). *de Vries, Manfred FR Kets. Creating authentizotic organizations: Well-functioning individuals in vibrant companies*. Retrieved from INSEAD:
https://flora.insead.edu/fichiersti_wp/inseadwp1999/99-69.pdf

Appendix



Figure 2: Negative survey results

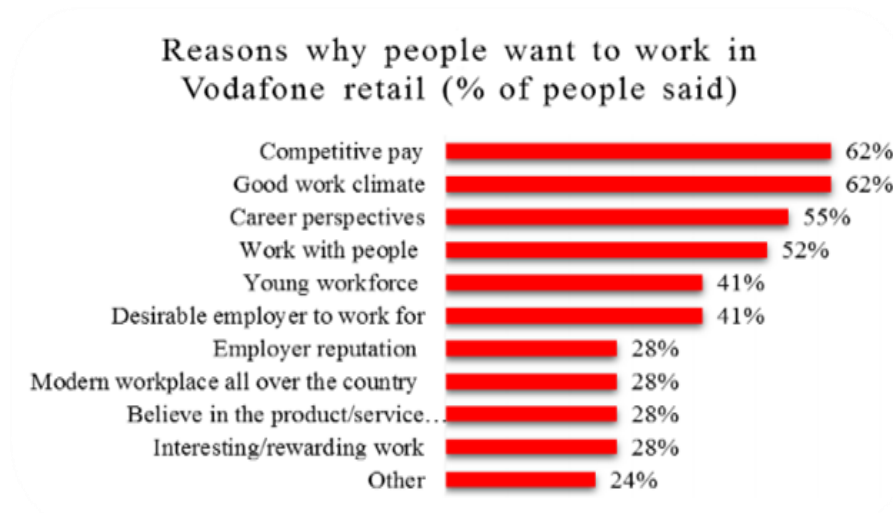


Figure 3: Positive survey results

WOULD YOU WORK FOR...

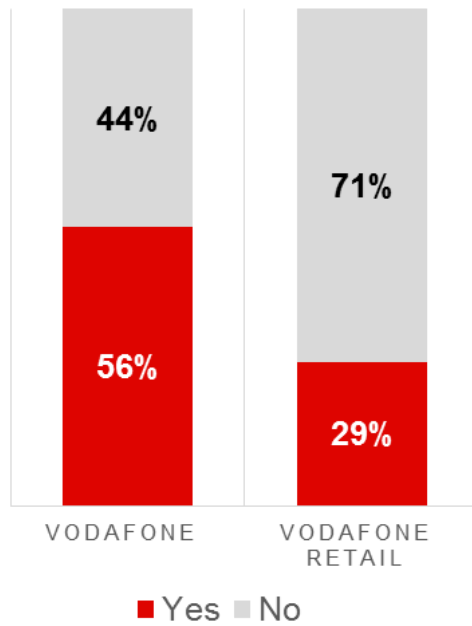


Figure 4: Would you work for Vodafone?

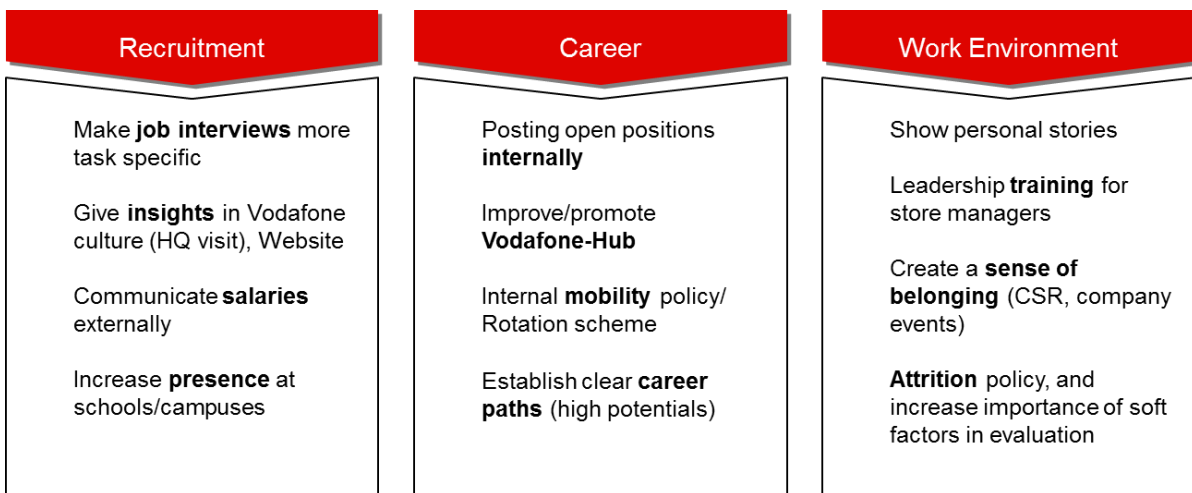


Figure 5: Proposed actions from BP

Which personal SKILL do you consider important for working in Retail?

— would not like to work for vodafone retail — Would like to work for vodafone retail

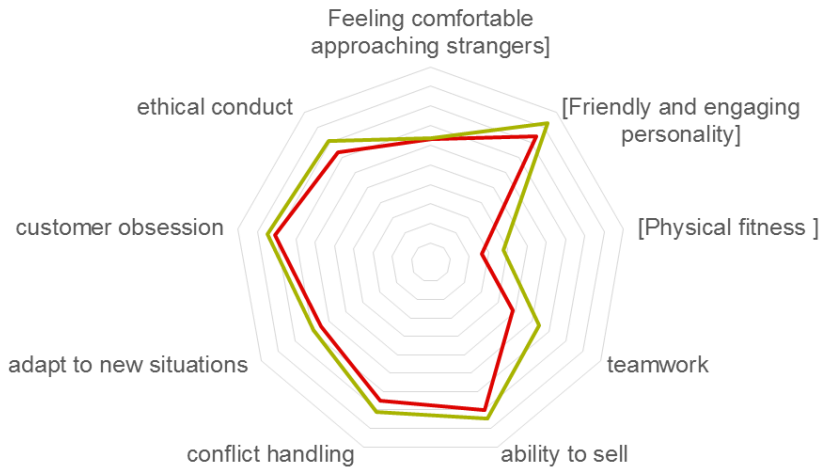


Figure 6: Vodafone skill comparison

How comfortable do you feel conducting these TASKS?

— Work in Vodafone retail — Not work in Vodafone retail



Figure 7: Vodafone task comparison