



EMCC company network

Case example of Telefónica S.A.

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This case example is available in electronic format only.

Company background

The Spanish company **Telefónica** is one of the world's largest telecommunications companies with a strong presence in Europe, Africa and Latin America. In June 2006, it had around 220,000 employees, representing a growth of 23.5 per cent compared with the previous year. This growth was partly an effect of changes in the accountancy consolidation perimeter relating to its Atento group subsidiary. The worldwide spread of Telefónica presents major challenges for the development of a human resources policy capable of meeting the needs of every individual employee.

Telefónica is operating in a complex, competitive and rapidly changing environment. The telecommunications sector has had to adapt very quickly to a constant stream of developments including the advent of mobile telephony and the need to provide internet access. Furthermore, the catalogue of products is continuously expanding: the sector no longer only provides basic telephone service but it is increasingly moving towards the supply of integrated ICT solutions.

Telefónica underwent a major transformation during the 1990s from its position as a state monopoly supplier at the end of the 1980s to that of a private company by 2006. For its employees, this meant moving from the status of civil servants with lifelong employment security in a government organisation to that of employees with an individual contract based on market norms. This restructuring was accompanied by a radical change in the business model. In the old model the former telecommunications operators relied on their own employees for almost all activities. Faced with a new competitive environment, this model was changed to enable some work – mainly involving low-skilled labour – to be subcontracted.

Lifetime employment in Telefónica

Staff turnover

Telefónica employs four different groups of workers: firstly, the executives, the people who manage and direct the company; secondly, the first line managers; thirdly, the second line managers; and fourthly the people working in call centres. The first three occupational groups account for nearly 60 per cent of all employees with the call centres accounting for just over 40 per cent.

Staff turnover levels within Telefónica vary from one category of employees to another. The turnover rate in call centres is close to 30 per cent. Working in call centres is a job which is often done on a temporary base by e.g. students. By contrast, in the rest of the company the voluntary turnover rate is less than one per cent. For these employees it can therefore be said that Telefónica is, in effect, a lifetime employer. The only turnover experienced is as a result of early retirement programmes or restructuring processes leading to involuntary redundancies. These depend on the economic situation and the institutional context of the company in any given country.

Recruitment and selection

The recruitment and selection procedure differs depending on the economic situation and the type of employees involved. Recently there have been rather few vacancies at Telefónica. If there are any vacancies, there are three different ways to fill them. Firstly, there is a possibility of posting the vacancy internally within the group so that it is only open to internal applicants. A second alternative is head-hunting to identify candidates currently working for other companies. The final option is to advertise openly to attract people from the external labour market.

The company's current policy is to recruit its executives internally. Telefónica has made it an explicit goal to assess, train and promote its present employees, thus giving preference to the first recruitment channel. This principle is described as 'building your own capital, before going to the market' in the recognition that talent already exists inside the company. However this principle is not always followed but sometimes gives way to the alternative argument: 'only hire the best people'.

The strategy adopted for recruiting managers also depends partly on the general economic environment which in turn influences the supply on the external labour market. During the late 1990s, in the context of the rapid expansion of the internet, the policy was to snap up whatever talent was available without considering in detail what roles these people would play within the company. In some cases it was necessary more or less to invent a suitable post for some newly appointed staff. Now, the situation is completely different. The economy has slowed down and vacancies are rare. This means that the company can give all its present employees the opportunity to improve their positions within the company. If the company faces any shortage of abilities or skills, this is addressed by sending Telefónica's own employees on internal or external training courses.

This switch to a 'grow your own' skills policy has had implications for the company's recruitment and selection procedures. These vary depending both on the specific requirements of the company at any given time and on the type of employee. When recruiting senior executives the company is highly selective. Here, it only wants candidates with very high potential. If there are no external candidates Telefónica promotes people from inside and trains them in its own training centre. For this group of employees the company has identified a common base of competencies which all executives or pre-executives need to have. These core competencies are also used for selecting other staff, whether internally or externally. In such cases, people are selected through a formal assessment. In contrast with the recruitment of executives, which is carried out at an international level, the recruitment of candidates for other positions is done locally in response to the local division's employment plans.

The global competencies model

Telefónica has a global competencies model used in all the countries where it operates and across all business sectors. These competencies have been identified to meet the needs of the company's strategic plan and its culture and values. The competencies are used to select new recruits, but also act as benchmarks in assessing individual employees' career development plans. They are:

- commitment to customers;
- integration into the environment;
- transparent communication and relationships;
- co-operation;
- personal development;
- contribution to profits.

Corporate mobility and competence development policy: the Integral Mobility Model

In order to generate greater internal efficiency as well to keep its employees satisfied, Telefónica emphasises its Integral Mobility Model. This model has four main dimensions, or drivers: working mobility; internal mobility; training mobility; and new working spaces.

The working mobility concept addresses a number of different aspects of working conditions. Its features include the provision of open access to company networks and applications and the choice of a wide range of work flexibility models. These are all implemented with the aim of pursuing Telefónica's goals of developing and promoting the business, maintaining productivity rates and improving the working environment.

The second key concept, that of internal mobility, builds on the global competencies model. Three key measures help to promote internal mobility. The first of these is Telefónica's job posting portal. This was launched in March 2005 on the Corporate Intranet and over 400 vacancies have already been posted on it, for which employees can apply on a voluntary basis. The second measure is a range of internal job rotation programmes. These programmes focus on high level employees, and are operationalised through the company's executive rotation plan. Telefónica also has a pre-executive rotation pilot programme under which the norm of rotation is 15 per cent. Finally, Telefónica also has its own professional schools, which enable the company to develop its own programmes to help employees acquire the skills and competencies that will enable them to fill particular positions.

Telefónica thus offers its employees a range of opportunities to grow professionally as well as personally, opening up possibilities to move horizontally or vertically between areas, businesses and countries.

Lifelong Learning at Telefónica

Training and skills development: a constant requirement

Training is essential for the individual development of employees, and is seen as a key element of the company's mobility policy

Leaving aside the call centre personnel, Telefónica can be seen as providing lifetime employment for employees who perform well. However, the telecommunications industry is changing very rapidly because of continuous technological developments and the constant emergence of new products. This means that there is a permanent need for employees of Telefónica to be (re)trained and develop (new) skills. All employees (including senior managers) have an annual development plan to maintain or broaden the competences they need to perform well in their jobs. These competencies may relate to corporate, functional or knowledge profiles. The corporate competencies may further be subdivided into those that are generic and relate to the telecommunications industry as a whole and those that are company-specific. Company-specific competencies are related to the culture of the company itself. If there are any doubts about the performance of individual employees or changes in their job positions this annual development plan is adapted to take account of any new issues that have arisen.

Telefónica's training model is based on gap analysis. This involves balancing the competences required for a particular position with the results of the employee's personal appraisal. A thorough analysis of the needs and appraisals is carried out before drawing up the individual plan. This appraisal and development process starts with the employee's own self-assessment. The next step involves appraisal by colleagues. This is followed by a development interview in which the priorities of the company and the commitments expected of the employee are discussed and defined. This process is carried out annually and forms the basis of a yearly development plan for each employee. The development plan does not only identify the training needed in terms of skills and abilities but also takes into account any changes in an employee's situation, such as a change of line manager, or the fact that the an employee may be taking charge of a new project. A list of on-the-job activities may also form a part of the development plan. The implementation of these activities is a joint responsibility of the employee and his or her line manager.

The development plan also includes a self-development section. The implementation of the self-development part of the plan is the joint responsibility of the employee and the relevant Human Resources manager.

A final element of the plan, for which responsibility is also shared between the employee and the Human Resources department is a training plan which specifies training activities for the coming year. These may consist of formal class-based sessions or online training courses.

When someone is considered for a promotion (for executives this occurs once a year) individuals are assessed again on the extent to which they meet the required competence standards. The Human Resources department then makes an assessment based on performance (based on the judgement of the line manager) and potential (based on the tests carried out by the Human Resources department). This assessment results in a matrix of people with high/low performance and high/low potential on a range of different indicators. This matrix makes it possible to diversify the annual development plans for (groups of) individual employees. This process, which is called 'talent evaluation', creates a framework that ensures that employees change jobs regularly and that the jobs to which they move are appropriate to their abilities. By making each individual's profile visible in this way, however, the system also makes it possible to identify poor performance and low potential. Individuals who persistently score low end up either being fired or encouraged to leave or having to accept a lower position within the company.

For more traditional training activities, Telefónica has its own professional schools but this is not a substitute for attending externally provided training courses, and employees are encouraged to do so. The purpose of the internal training courses is to offer employees the skills development they need as identified in their personal development plans. For example, if there is difficulty filling a vacancy for a sales person requiring certain skills and competences, an internal candidate for the position will start an internal programme to gain these.

Recent developments: 'any time, any place' learning and working

Telefónica also offers online training courses using e-learning and recently also m-learning (learning accessed using mobile technologies). These training sessions are extremely efficient because they are very low cost and reach more employees than traditional training methods, for instance for training in health and safety. However they are only appropriate for certain kinds of learning and cannot always substitute for formal classroom sessions.

New developments within the telecommunications sector have encouraged Telefónica to develop these new forms of learning. M-learning makes it possible to access course content through mobile devices. This kind of learning offers employees a considerable amount of independence and immediacy in deciding what to learn and when and where to activate this learning.

Such 'anytime, anyplace' learning fits into another aspect of Telefónica's integrated mobility model: its vision of new working spaces. The company's mobility programme has recently been extended to do away with fixed working places altogether. In the new Telefónica office in Madrid, for instance, nobody has a designated desk and in the near future, all Telefónica employees will become 'nomads', working and learning wherever they may be (home, client's premises, train, office) thus making full use of the potentialities of the company's own products.