



STANFORD

GRADUATE SCHOOL OF BUSINESS

CASE: HR-22
DATE: 01/14/04

TRANSFORMING HUMAN RESOURCES AT NOVARTIS: THE HUMAN RESOURCES INFORMATION SYSTEM (HRIS)

Since the early days of the merger, we knew we would need a significant effort to transfer the new company into a high-performance organization.¹

—Daniel Vasella, MD, Chairman and CEO, Novartis AG

INTRODUCTION

Since the merger of Ciba-Geigy and Sandoz that created the Swiss healthcare and pharmaceutical company of Novartis in December 1996, CEO Dan Vasella had begun the transformation from two slow-moving, functional silos into one high-performance company. The initial post-merger integration was successful in terms of financial performance but people were feeling stretched, so the HR function had a daunting challenge ahead.

By 2003, the HR organization and its people had made significant progress toward the goal of becoming a “premier talent machine by 2005.” Norman Walker, who joined in May 1998 as the head of HR, had several priorities in his 2000 HR strategy – talent management, organizational development and strengthening, reward and recognition, winning team spirit, and core processes and IT support. By 2003, the first four were either in place or under way. A significant priority remained, which was to implement a firm-wide Human Resources Information System (HRIS) that would convert many of the transaction-based HR core processes to an Internet-based system. The eight-member ECN (Executive Committee Novartis) had approved the CHF 78 million (Swiss Francs) capital appropriation request for the global HRIS project in September 2002, and the effort to create a computer-based system had begun. This change had the potential to transform the HR function and how it related to line management. Given the fundamental changes that would take place, the ECN wondered if the HR organization was ready for this

¹ Private communication, August 5, 2003.

Irene Wang prepared this case under the supervision of Professor Charles O'Reilly as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright © 2003 by the Board of Trustees of the Leland Stanford Junior University. All rights reserved. To order copies or request permission to reproduce materials, e-mail the Case Writing Office at: cwo@gsb.stanford.edu or write: Case Writing Office, Stanford Graduate School of Business, 518 Memorial Way, Stanford University, Stanford, CA 94305-5015. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means — electronic, mechanical, photocopying, recording, or otherwise — without the permission of the Stanford Graduate School of Business.

transformation – and what other steps needed to be taken to ensure that the change was successful.

NOVARTIS BACKGROUND

Headquartered in Basel, Switzerland, Novartis was a world leader in the research and development of products to protect and improve health and well-being. It began as three major companies: Geigy (founded in 1758), Ciba (1859), and Sandoz (1886). In December 1996, Ciba-Geigy and Sandoz came together in the largest corporate merger of its time (USD \$22 billion) to become Novartis. Dan Vasella, a medical doctor and the CEO of Sandoz Pharmaceuticals Ltd., became the CEO (and later chairman) of the new company.

The mission of Novartis was “to discover, develop, and successfully market innovative products to cure diseases, to ease suffering, and to enhance the quality of life” and “to provide a shareholder return that reflects outstanding performance and to adequately reward those who invest ideas and work in our company.”²

With 2002 sales of CHF 32.4 billion (USD \$20.9 billion), the Novartis businesses were organized into two divisions: Novartis Pharmaceuticals, with five business units (primary care, oncology, ophthalmics, transplantation, mature products) accounting for 65 percent of group sales; and Novartis Consumer Health, with six business units (over-the-counter, medical nutrition, infant and baby, CIBA Vision, animal health, generics) accounting for 35 percent of group sales. In 2002, Novartis employed approximately 73,000 employees, operating through 360 affiliates in 140 countries.

With Vasella as chief executive, a new culture of performance management and focus on results emerged at Novartis. The name Novartis, derived from the Latin “novae artes” meaning “new skills,” not only reflected the company’s commitment to focus on R&D in order to bring innovative new products to the communities it served, but also reflected the need for new skills to become a results-driven organization. Becoming results-driven, one of the ten Novartis values and behaviors, paid off for Novartis with a history of strong financial performance (Exhibit 1).

THE NOVARTIS HR ORGANIZATION

The HR function included over 700 associates across Pharma, Consumer Health, the Novartis Institutes for Biomedical Research (NIBR, located in Cambridge, MA), countries, and corporate. Since the early days of the merger, a number of innovative HR programs had been implemented, including:

- A High Performance Management System, based on General Electric’s pay-for-performance model, combined annual objective-setting and performance reviews based on both results and Novartis values and behaviors. At the beginning of the year, managers and associates jointly determined performance objectives that were SMART (Specific, Measurable, Attainable, Relevant, and Time-bound). Ongoing feedback was encouraged, but at least one mid-year

² www.novartis.com

review was required and a formal review took place at the end of the year. (Exhibits 2a-e show the performance management appraisal form.)

- The Organization & Talent Review (OTR) Process provided a common, worldwide approach and methodology for identifying and developing talent within Novartis to improve leadership bench strength and organizational capability. Anish Batlaw, the head of Talent Management, explained that the annual OTR process leveraged the Novartis “Leadership Standards,” which consisted of eight standards that made a leader successful within Novartis (Exhibit 3) and which were used to assess potential and plan development. Line managers were required to rate their associates in the categories of high potential, promotable, high professional, or essential contributor. The OTR process was considered by senior management to be an integral component of building Novartis into a world-class company. Vasella said, “Success in business does not just happen. The Performance Management System and Organization and Talent Review have been designed to help us identify and develop great leaders and to put them in the right jobs at the right time. Just as we strive to develop a pipeline of new drugs, we also need to develop a new pipeline of leaders.”³
- The Fast Action for Results (FAR) Program was modeled after GE’s “Work-Out” program. FAR projects were designed to rapidly address issues identified by a management sponsor. It consisted of a two-day workshop that culminated in an agreement on actions that were to be implemented within 90 days. For example, a FAR session in the Animal Health unit was used to prioritize their R&D portfolio and identify low priority projects to discontinue. In the Pharma group in Asia Pacific, a FAR session was used to reduce the number of products kept in inventory. A FAR project in a manufacturing site in France led to a total cost reduction of almost \$5 million.
- Novartis Learning Programs covered all levels of managers within Novartis and were dedicated to developing Novartis managers’ talents and inspiring them to grow as business leaders. Ten distinct programs (Marketing Excellence Program, Marketing Awareness Program, Project Management Curriculum, Novartis Leadership Program, Leading at the Frontline, The Role of the Leader, Business Leadership Program, Finance Excellence, Business Finance II, and HR Excellence) were offered multiple times throughout the year. In 2002, over 3000 managers attended these Novartis-specific training and development programs.

Other new programs included MBA recruitment, share options for key associates, mentoring, and many others that contributed to the strength of Novartis human resources.

These initiatives reflected Novartis’ strategic HR priorities, which included talent acquisition and management, associate engagement and alignment, organization capability and functioning, compensation and benefits, and HR infrastructure. However, a remaining gap in the infrastructure priority was the lack of a global HR information system. With a constantly changing workforce, managers in the company were unable to quickly and accurately know something as simple as how many HR associates were working at Novartis.

³ Private communication, August 5, 2003.

The Novartis Human Resources Information System (HRIS)

From one perspective, HRIS (Human Resources Information System) was an IT project designed to standardize many of the company's HR processes so that HR data could be consolidated into a single, global system. The long-term goal was that employees would be able to update their own information on a real-time basis via the Web and that managers would be able to obtain global reports on HR activities based on current, aggregated employee data. The aim was for the global HRIS to cover all geographical regions and all business units and global functions. A useful by-product of this would be that more transactional aspects of the HR function would be automated, freeing HR staff to concentrate on more strategic activities. Key members of the HR management team – Norman Walker, Neil Anthony (head of Pharma HR), Simon Nash (head of Consumer Health HR), and Ottmar Zimmer (head of Compensation and Benefits) – helped determine which aspects should be included. They decided that the mission critical processes of the performance management system, employee development (the Organization and Talent Review process), compensation data, employee work and life events, and some internal staffing data should be accessible through the HRIS (Exhibit 4).

Aside from being a significant IT project, the HRIS effort also represented a major transformation in the fundamental role and responsibilities of the HR function within Novartis. In addition to the IT challenges associated with developing the global information system, once the HRIS was fully implemented, HR professionals would take on a very different relationship with their business partners. Since the implementation of an automated “self-service” system would remove many of the administrative tasks that HR associates performed, under the new system they would be expected to play a more strategic, consultative role to the business. In this sense, the HRIS project was an integral part of the Novartis long-term strategy for improving overall HR service delivery to the organization that would result in a full HR transformation (Exhibit 5). A critical outcome of this transformation would be the global standardization of key HR programs and policies.

In more technical terms, the global HRIS involved the rollout of a number of key components:

- Supporting content – delivery of content at the point where it was required in workflow guided processes.
- SAP R/3 – a core transaction processing system.
- SAP Business Warehouse (BW) – provided decision support, information and analysis of the human resources data, which would make local and global reporting much easier with a common “look and feel” for all reports.
- An enterprise HR portal solution – the HRIS would integrate information and applications, as well as provide for personalization of data and desktop design.
- Web enabling – if implemented, would allow employees to access the portal via the Internet.

While significant technical challenges for system implementation existed, a key to the success of the global HRIS lay in the organization's acceptance of this new way of doing business. Trees Segers, the Global HRIS program manager, knew that no matter how well the new HRIS was implemented from a technical standpoint, it would not provide much value unless it was accepted and used effectively. To facilitate this, the Global HRIS Team was composed of

executives who were seasoned and knowledgeable in many critical areas – Novartis, eHR, change management, system implementations, and SAP. Their expertise would pave the way in leading this change effort, but it would take the buy-in, cooperation, and commitment of everyone, beginning with the HR function.

Why HRIS?

The global HRIS project was initiated in December 2001 and had four main objectives:

- To implement world-class HR processes and systems
- To provide HR data in an accurate, timely manner on a global basis
- To speed up HR decision-making processes
- To reduce HR operating costs while upgrading performance and service

The logic driving the HRIS project was straightforward. In the competitive environment of the time, particularly in the consolidating pharmaceutical industry, organizations had to be able to act quickly and have good data readily available to make critical decisions. The overall success of Novartis rested on its intellectual capital; therefore, its ability to recruit, develop, motivate, and retain people was core to its future success. Vasella highlighted this, observing that, “Identifying and developing talent is one of our most important priorities. Better people produce better results.”⁴

In achieving these goals, the HR function needed to provide accurate and timely data on the numbers of people available with certain skill sets and on whether there was sufficient bench strength in the various businesses. For instance, if a key executive in Generics left suddenly and a successor had not already been identified and groomed, who within the *global* Novartis organization, not just Generics, might be a skilled and qualified candidate for the position? Batlaw emphasized that the HR aspiration was to have two “ready now” associates for each leadership position and to have 70 percent of leadership vacancies filled from within. In 2003, there was only one “ready now” associate for each leadership position and only 42 percent of leadership vacancies were filled from within. Closing this gap represented one of the central HR challenges facing the HR leadership team.

Unfortunately, the existing IT systems within Novartis were not up to these tasks. Given the merger of Ciba-Geigy and Sandoz and the fact that the company operated in 140 different countries, there had been little centralization or standardization of HR data. A survey of the existing HR information systems revealed that the company had:

- No consistent standards (processes/data/structures)
- No consolidated database
- No ability to provide data in a form to reflect/support their matrix structure
- Difficulty in supporting the businesses in identifying, moving, and tracking talent
- Multiple, fragmented systems – PeopleSoft, SAP, local/other, or no system; decentralized by country or by business unit

⁴ Private communication, August 5, 2003.

- Exposure to many small vendors with non-integrated niche applications
- Exposure to legal/regulatory non-compliance (data protection, privacy, etc.)

Many of the existing HR systems had been developed to support individual business units that operated within a particular country, division, or function. As a result, these disparate systems could not be used effectively across Novartis. The new HRIS was expected to solve this problem and allow managers and HR professionals to respond to the business challenges in the following ways:

- **Support the Organization and Talent Review (OTR) process by providing timely and valid organizational, job, position, and associate information** – Global HRIS would support talent, skills, and knowledge management across all countries, business units, and geographies.
- **Enable globalization by providing global data definitions including multi-lingual, multi-currency information access through one HR Web tool** – Global HRIS would enable global sharing of information/collaboration, procedures and processes at all levels (local, regional, business units, global functions, and group).
- **Support growth and organizational change by providing harmonized global HR processes via a common technical platform** – Global HRIS would provide global data and processing standards. These standards would be scalable, permitting the addition or deletion of organizational structures, reporting relationships, jobs or positions and eliminating the need to reinvent a process with each organization or policy change.
- **Increase operational efficiency by maintaining integrated global processes and creating an operational service structure** – Global HRIS should improve customer satisfaction, reduce HR administration, and increase standardization; provide greater support to the business for workforce management and business strategy; offer more consistent, timely and up-to-date information on people; reduce HRIT development, delivery cost, and HR operational costs.

The HRIS Plan

The planned two-and-a-half year global HRIS project was to be rolled out in phases beginning in the third quarter of 2003 (Exhibit 6) and to be led by Trees Segers and her experienced team who would manage the Extended Organization Readiness Network. After the initial planning, blueprint, and prototype phases, the pilot would begin in the United Kingdom in 2004, followed by full implementation in North America and Switzerland. The implementation was scheduled to be complete across all of Novartis by the end of 2005.

HRIS IMPLEMENTATION: LEARNING FROM OTHERS

Novartis was obviously not the first major corporation to go through this type of transformation. A growing number of organizations had experience in implementing eHR systems, but none started with the exact same circumstances and, therefore, adopted different approaches. In spite

of these differences, there were lessons to be learned, both positive and negative, from other companies' experiences.

SAP, the system Novartis chose, provided a number of success stories to illustrate how “mySAP HR,” its comprehensive HR solution, had helped companies around the world optimize their HR function. These successes included the following:

- A Finnish data-security solutions provider implemented, in six weeks, an employee self-service application for 300 users across nine global offices which allowed them to maintain a profile of in-house and subcontractor skills so that they could quickly staff projects and target recruitment and training.
- Swiss Post – with 2000 revenues of over €4 billion (Euros) and over 56,000 employees – started with a basic SAP system that required manual data input from many systems. They began implementing a prototype at the end of 1999 and by early 2001 went live with a system to allow HR to analyze six areas: employee numbers and personnel actions, outstanding credits, remuneration data, absences, appraisals, and staff satisfaction. The resulting system was able to display a headcount evaluation, in only five to eight seconds, in an organization hierarchy with over 5,000 organizational units.
- Schlumberger Limited – a USD \$12 billion company with 75,000 employees in over 100 countries – went from fragmented HR systems to a centralized HR and payroll process. They created a Web-enabled Career Center for development and recruitment information with globally accessible career profiles, the management-by-objectives process was put online, and they could analyze global headcount. Further, in a corporate acquisition they were able to quickly capitalize on the competencies of 20,000 new employees.
- Saudi Aramco – the world's largest oil and gas company with 23,000 people across 50 countries – streamlined all of the company's main functions by replacing about 75 percent of the company's systems infrastructure (over 170 systems) with SAP. This was done in three stages, beginning with the HR function, then product and sales, and finally, the remaining functions. The project was initially conceived in 1997, went live in late 1999, and was completed in early 2003.⁵

These success stories illustrated how SAP HR applications were used by companies in global firms of different size and scope. While each firm approached their HR transformation differently, there were commonalities, including the need for a substantial change of mindset and a need to significantly rethink existing processes. When questioned, participants involved in HRIS efforts offered some reflections on their experiences.

Multinational Food Company. A major food company with over 100,000 employees in more than 50 markets used SAP not only for its transactional HR processes, but took an integrated approach to implementing an end-to-end solution that also covered finance, manufacturing, and engineering. This was a five-year project. Halfway through, they had built a global template of

⁵ “Atos Origin, SAP, Sun Microsystems and Oracle Complete One World's Biggest SAP Implementations for Saudi Aramco,” *PR Line*, March 4, 2003.

best practices and implemented their first pilot in six countries. The next part of the plan involved rollout to more countries and enhancement of the capabilities with new processes. Project team members reflected on some of their challenges:

- People with a global agenda, such as corporate functions or system designers, try to identify best practices and standardize processes. They typically want solutions that can be used across the company. However, local units usually want to maintain their specific ways of doing things, tailored to specific market conditions. This creates an ongoing challenge to make trade-offs between conflicting objectives.
- In the face of this opposition, project team members felt that it was important to challenge the nay-sayers and question why something will not work in a particular market. This leads to inevitable tensions and conflicts and requires deep functional and business insight.
- It is important for the project team not to lose momentum when determining how each country, region, business unit, or function does things (the “as-is”). It is also important to recognize that, at some point, this process must end and a standardized, global process must be defined.
- To make this process work requires constant communication and the explicit sharing of assumptions across the organization, including global, regional, and market constituents. The overriding business value of the project must be convincingly articulated.
- While engaged in a global implementation effort, it is crucial to pay close attention to cultural differences in communication. Getting buy-in and agreement from different countries and cultures requires different approaches and an understanding of the responses. The signals that constitute agreement and support can vary by country, and there is a potential for misinterpretation of how much commitment is present.

Global Provider of Energy and Petrochemicals. This firm signed a multi-year, multi-million dollar contract with an HR business process management services provider to assume management, ownership, and accountability for the company’s global HR administrative and transactional processes. Rather than designing a comprehensive HRIS, they decided to begin by implementing a series of discrete, manageable projects, each with its own costs and benefits. An internal cross-functional (not just HR) team worked with the outsourcer to drive the initial eHR rollout in two of the 50+ countries where they operated. Although limited in terms of geography, this implementation covered 60 percent of the 100,000 employees in the company. A primary focus of the project centered on ensuring data quality and integrity and creating system connectivity via middleware.

To build awareness, the company created global visibility for the employee and manager self-service Web portal by starting with small, quick wins that did not involve significant back-end development. These smaller projects were targeted at different customer bases. For example, they developed an expatriate calculator, which was an online tool that provided policy and benefit information to potential expatriates. It affected only 10 percent of the employee base, but

greatly increased access to information for those affected. The tool reduced processing time from 12 days to 12 seconds, a major benefit for those being assigned abroad.

Another example of a quick win was the online career development tool. This allowed an employee to create a resume-type profile, and to subscribe to a service that sent a bi-weekly electronic notification when a new job posting matched the person's profile. This encouraged people to consider moves across the company and increased the talent pools available for jobs.

A third example of the systems functionality was the Executive Center, a password-protected site for use solely by the executive team that provided the career paths and succession plans for the top managers in the company. It acted as a repository of confidential information and permitted talent development discussions among executives. It could also be updated in real-time via the Web.

These examples of early wins were instrumental in generating awareness and excitement about the eHR project. These initial efforts also made it easier to implement the more sensitive HR processes that affected employees personally, such as accessing and updating personal information and annual salary reviews.

After the first 12 months, an internal survey revealed that 85 percent of the respondents were satisfied or very satisfied with the site. After the company's homepage, it was the most used site on the company Intranet. The survey also asked, "What do you want to be able to use eHR to do?" The top two responses were: 1) Access and update my own personal information (81 percent) and 2) Access information on performance management (63 percent).

However, in spite of these early successes, the company decided to halt implementation two years into the rollout. A combination of unanticipated difficulties, including the acquisition of a large company and complications with privacy laws in Germany, drove the decision to limit the global expansion after implementation in only two countries. People involved in the project were convinced of its benefits (e.g. simplification of processes and cost savings), but acknowledged the complexity of operating eHR on a global scale. Specifically, when asked for lessons learned, project leaders offered the following suggestions:

- In spite of having received initial support from HR and line managers and in spite of the early successes, the actual implementation was still characterized by resistance.
- In retrospect, project leaders reinforced the need to simplify and standardize processes as much as possible in the design before the rollout. Each additional complexity expanded the difficulties with the subsequent implementation.
- In terms of internal marketing, the message to the organization should be to "under-promise and over-deliver." In selling the initial project, there is a risk of overselling the project benefits to gain commitment. This can cause problems when the actual system does not deliver the promised benefits.

- Senior leadership in the company needs to be committed to driving the implementation, not simply funding the project. As disagreements occur about system design, it is important that top managers be available to keep the project on track.
- In designing the system, the advice was to stay focused on features that add value to the business, not on those that are interesting to HR. As one project member put it, “You should not Web-enable bad processes.”
- Be aware that it is easy to lose momentum over a long implementation process. It is important to stick to the schedule of deliverables and not let things slip. Metrics are important. But remember, you cannot fix everything in advance; do not let planning substitute for action.
- End users must be involved and feel ownership of the system. This means thinking through in advance how they will be involved, what the marketing and communication messages will be, and how the tools will really be used.

IMPLICATIONS OF HRIS FOR NOVARTIS

In talking with others who had implemented global HRIS systems, it was clear to the HR management team that the implementation could be a long and, at times, painful process. The HRIS project would be a major transformation for how HR would function within Novartis. Not only would it affect how the HR processes would work, HRIS also would put major pressures on how HR associates would interact with others in the firm. HR needed to drive this change to ensure that the self-service system worked for employees and contained current information. Getting the technical aspects right was critical.

Walker’s successor, Jürgen Brokatzky-Geiger, was aware that the HRIS system was only the technical infrastructure to enable the HR transformation. Simply removing some of the administrative burdens from HR would not be sufficient to make them respected business partners by their line managers. For this to happen, a more fundamental transformation in the role of HR within the company would be required – a shift from functional expert and transaction processor to strategic partner and change agent. Simultaneously with the technical implementation, there needed to be an evolution of the basic role of HR within the company.

Interviews with line managers underscored the challenge of changing the basic role of HR. On the positive side, one business unit head acknowledged that his global HR associate was already a strategic business partner. He had meetings with her on a weekly basis and included her in strategic discussions regarding his group. He characterized her as an asset for the following qualities: she was multicultural and adaptable to her environment; methodical, energetic and hardworking; able to think strategically about the entire group; and able to judge people and think strategically about their career paths. She viewed the partnership with equal respect and also realized that her business partner’s clear vision of HR and her role had facilitated their dynamic from the beginning. She felt that, in general, HR associates must provide the HR basics and be proactive in order to gain the credibility to earn a strategic seat at the table.

On the other hand, another business head commented, “At the moment, HR is not strategic or operationally robust. They are custodians of policies and procedures, not custodians of the talent pipeline.”⁶ She had meetings with her generalist on a regular basis but did not feel that HR knew what it meant to be a business partner. However, she believed that HR had a number of good people with room to develop as long as they had the capability and attitude.

As the HR management team thought about the rollout of the global HRIS, they wondered whether the organization was up to the challenge. As the HRIS system freed up HR managers’ time from the current 60 percent spent on administrative activities to only 20 percent after implementation of the HRIS, what would the new role of the HR professional be – and did they have the required competencies? What were the likely obstacles that they would face during this transition – and could they prepare for them in advance? Could they deal with the resistance from some line managers to their new role? Were there things that they should be doing to prepare people for these issues? They knew that they were embarking on a transformation that was far more than simply a technical challenge, but they were not completely sure that they understood what this might entail. “What is it that we don’t know that we don’t know?” they wondered.

The people, not the products, will be the great differentiation for Novartis in the future.
—Senior business executive, Novartis Pharma

*A focus on people and leadership development will be critical to the success of Novartis. HR needs to upgrade its capabilities for us to realize our goals.*⁷
—Daniel Vasella, Chairman and CEO, Novartis AG

⁶ Quotations are from interviews with the author, unless otherwise specified.

⁷ Private communication, August 5, 2003.

Exhibit 1
Novartis Financials
(all amounts in millions of US Dollars)

Income Statement	December 2002	December 2001	December 2000
Revenue	23,151.0	19,335.0	21,832.0
Cost of Goods Sold	4,751.0	4,174.0	5,327.0
Gross Profit	18,400.0	15,161.0	16,505.0
Gross Profit Margin	79.50%	78.40%	75.60%
SG&A Expense	12,076.0	10,184.0	10,781.0
Depreciation & Amortization	690	585	918
Operating Income	5,634.0	4,392.0	4,806.0
Operating Margin	24.30%	22.70%	22.00%
Nonoperating Income	889.0	950.0	1036.0
Nonoperating Expenses	218.0	221.0	311.0
Income Before Taxes	6,305.0	5,121.0	5,531.0
Income Taxes	1,065.0	869.0	1,110.0
Net Income After Taxes	5,240.0	4,252.0	4,421.0
Total Net Income	5,224.0	4,239.0	4,395.0
Net Profit Margin	22.60%	21.90%	20.10%
Diluted EPS from Total Net Income (\$)	2.03	1.64	1.68
Dividends per Share	0.52	0.50	0
Balance Sheet			
Assets			
Cash	5,813.0	6,727.0	5,368.0
Net Receivables	3,707.0	3,228.0	3,221.0
Inventories	2,971.0	2,482.0	2,513.0
Other Current Assets	8,379.0	8,203.0	8,982.0
Total Current Assets	20,870.0	20,640.0	20,084.0
Net Fixed Assets	6,338.0	5,468.0	5,507.0
Other Noncurrent Assets	17,936.0	14,197.0	9,894.0
Total Assets	45,144.0	40,305.0	35,484.0
Liabilities and Shareholders' Equity			
Accounts Payable	1,270.0	1,092.0	970.0
Short-Term Debt	2,849.0	3,062.0	2,304.0
Other Current Liabilities	4,175.0	4,434.0	3,823.0
Total Current Liabilities	8,294.0	8,587.0	7,097.0
Long-Term Debt	2,736.0	1,504.0	1,392.0
Other Noncurrent Liabilities	2,876.0	2,311.0	2,344.0
Total Liabilities	16,800.0	14,811.0	13,007.0
Shareholders' Equity			
Total Equity	28,344.0	25,495.0	22,477.0
Shares Outstanding (mil.)	2,475.0	2,548.2	65.2

Source: www.hoovers.com

**Exhibit 2a
Annual Performance Review Form (Page 1 of 6)**

Annual Performance Review		Year	
Name of Associate			
Present Position		Since	
Division		Country	
Business Unit/ Department			
Name of Manager			
Position			
Name of Next Level Manager			
Position			
Name of Indirect Manager/Key User			
Position			
			Steps to be completed by
Target Setting (for coming year)		December - January	
Performance Review and Evaluation (current year)		December - January	
Copy to be returned to Human Resources		January 18, 2003	

Exhibit 2b Annual Performance Review Form (Pages 2-3 of 6)

Annual Performance Review		Objectives			Year	2002	
Associate		Manager		Department			
Position		Position					
OBJECTIVES	Evaluation Criteria; Measurements/Perf. Standards	Date	Priority No. / %	Self-Appraisal with Rating*		Manager Appraisal with Rating*	
Objectives discussed and agreed on	Date	Appraisal discussed and agreed on	Date	Overall Rating			
Associate		Associate		1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	
Manager		Manager		1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	
Ind. Manager/ Key User		Ind. Manager/ Key User		1 <input type="checkbox"/>	2 <input type="checkbox"/>	3 <input type="checkbox"/>	

* 1 = Partially met expectations 2 = Fully met expectations 3 = Exceeded expectations

Performance Review: Values and Behaviors			Year	2002	
Name of Associate		Name of Manager			
Novartis Values & Behaviors	Self-Appraisal with Rating* Comments (specific examples)	Manager Appraisal with Rating* Comments (specific examples)			
Result driven					
Customer/Quality Focus					
Innovative and Creative					
Competent					
Leadership					
Fast/Action-Orientation/initiative/Simplicity					
Empowerment/Accountability					
Commitment/Self-discipline					
Mutual Respect/Candor/Trust/Integrity/Loyalty					
Open Communication/Collaboration/Compassion					
* 1 = partially met 2 = fully met 3 = exceeded		Overall Self Appraisal (Rating)*		Overall Manager Appraisal (Rating)*	

Exhibit 2c

Annual Performance Review Form (Page 4 of 6)

Novartis Values & Behaviors

Results driven

- Can be relied upon to exceed targets successfully
- Does better than competition
- Pushes self & others for results

Customer / Quality Focus

- Assigns highest priority to customer satisfaction
- Listens to customer & creates solutions for unmet customer needs
- Establishes effective relationships with customers and gains their trust & respect

Innovative & Creative

- Comes up with a lot of new & unique ideas
- Challenges "status-quo": does not settle for the first right idea
- Makes new connection work by seeing relationships between seemingly disconnected elements, synthesizes odd combinations

Competent

- Has functional & technical knowledge & skills to successfully perform his/her role

Leadership

- Establishes clear directions and sets stretch objectives
- Aligns and energizes associates behind common objectives
- Champions the Novartis Values & Behaviors. Rewards/encourages the right behaviors and corrects others

Fast/Action-oriented/Initiative/Simplicity

- Is action-oriented & full of energy to face challenging situations
- Is decisive, seizes opportunities and ensures fast implementation
- Strives for simplicity & clarity. Avoids "bureaucracy"

Empowerment/Accountability

- Sets clear performance targets and a well defined "playing-field" with corresponding personal accountability
- Defines clear-cut, flexible involvement process (involves the right associates in the right situation at the right time)
- Fully utilizes diversity of team-members to achieve superior business success
- Shares consequences of results with all involved

Commitment/Self-discipline

- Fully supports and implements decisions
- Is 100% committed to achieve agreed-upon targets (strives to achieve the "slightly impossible")
- Pursues targets with a need to finish. Does not give up, especially in the face of adversity.

Mutual Respect/Candor/Trust/Integrity/Loyalty

- Establishes mutual respect and trust in dealing with others
- Acts and behaves in accordance with his/her words
- Commits to honesty/truth in every facet of behavior and demonstrates ethical conduct
- Keeps confidences, admits mistakes & does not misrepresent self for personal gain

Open Communication/Collaboration/Compassion

- Communicates in open, clear, complete, timely, and consistent manner
- Listens effectively and invites response
- Genuinely cares for people & demonstrates empathy
- Is a team player

Exhibit 2d Annual Performance Review Form (Page 5 of 6)

Annual Performance Review - Manager		Year 2002		
Name: _____	Position: _____			
Overall Performance Evaluation				
OBJECTIVES	3 Exceeded expectations	SUPERIOR RESULTS, UNSATISFACTORY BEHAVIORS 3.1	SUPERIOR RESULTS 3.2	EXCEPTIONAL PERFORMER 3.3
	2 Fully met expectations	GOOD RESULTS, UNSATISFACTORY BEHAVIORS 2.1	STRONG PERFORMER 2.2	SUPERIOR BEHAVIOR 2.3
	1 Partially met expectations	UNSATISFACTORY PERFORMER 1.1	GOOD BEHAVIORS, UNSATISFACTORY RESULTS 1.2	SUPERIOR BEHAVIORS, UNSATISFACTORY RESULTS 1.3
		1 Partially met expectations	2 Fully met expectations	3 Exceeded expectations
NOVARTIS VALUES & BEHAVIORS				
Performance Summary				
Key Strengths (current and future assignments)				
Key Developmental Needs (current and future assignments)				
Associates Comments				
Date		Signed Associate*		
Date		Signed Manager		
Date		Signed Next Level Manager		

Exhibit 2e Annual Performance Review Form (Page 6 of 6)

Annual Performance Review - Indirect Manager/Key User		Year	2002	
Name:		Position:		
Recommended Performance Evaluation				
OBJECTIVES	3 Exceeded expectations	SUPERIOR RESULTS, UNSATISFACTORY BEHAVIORS 3.1	SUPERIOR RESULTS 3.2	EXCEPTIONAL PERFORMER 3.3
	2 Fully met expectations	GOOD RESULTS, UNSATISFACTORY BEHAVIORS 2.1	STRONG PERFORMER 2.2	SUPERIOR BEHAVIOR 2.3
	1 Partially met expectations	UNSATISFACTORY PERFORMER 1.1	GOOD BEHAVIORS, UNSATISFACTORY RESULTS 1.2	SUPERIOR BEHAVIORS, UNSATISFACTORY RESULTS 1.3
		1 Partially met expectations	2 Fully met expectations	3 Exceeded expectations
NOVARTIS VALUES & BEHAVIORS				
Comments				
Date		Indirect Manager/Key User		
If need be, use a blank sheet of paper for additional comments on the appraisal				

Source: Company documents

Exhibit 3 Novartis Leadership Standards

Sets Clear Direction & Aligns Team and Others around Common Objectives

- Creates and executes a clear and compelling vision
- Understands organizational culture and dynamics
- Communicates effectively

Energizes the Team

- Displays team leadership
- Demonstrates optimism and a can do attitude
- Influences and motivates others
- Possesses interpersonal understanding
- Builds relationships

Displays Passion for the 3 C's (Consumers, Customers, Competition)

- Understands customer and consumer needs and trends
- Meets or exceeds customer and consumer needs
- Leverages business understanding

Exercises Good Judgement & Drives Change for Competitive Advantage

- Takes entrepreneurial risks
- Challenges conventional thinking

Drives for Superior Results & Has Passion to Win

- Achievement oriented
- Takes initiative
- Accountable for performance
- Demonstrates drive for quality and order

Builds the Talent Pipeline

- Identifies and recruits talent
- Provides feedback and coaching
- Develops others
- Develops self

Inspires Continuous Improvement & Breakthrough Thinking

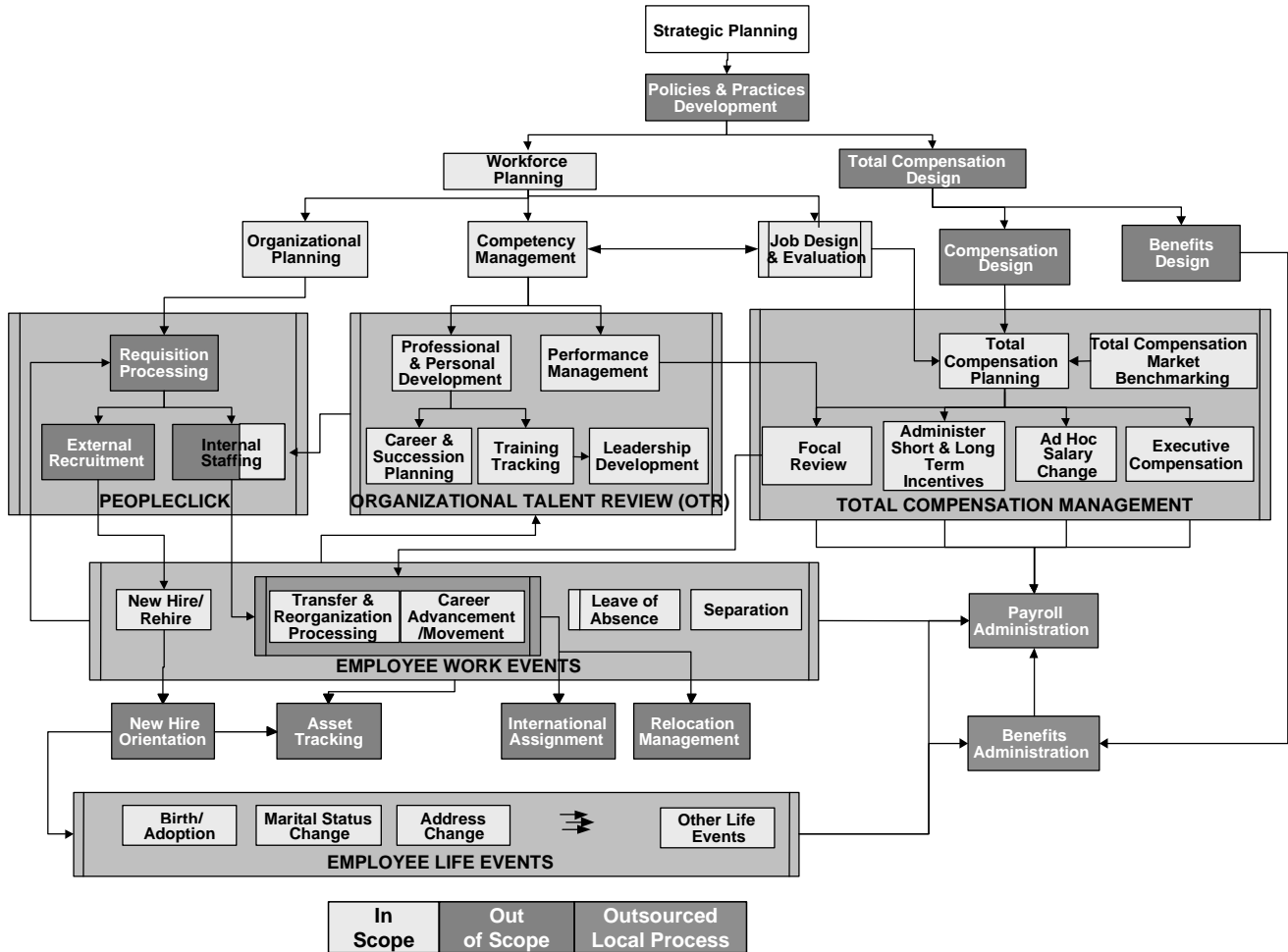
- Creates new concepts
- Adapts easily
- Encourages new ideas

Displays Analytical & Conceptual Thinking

- Thinks analytically
- Simplifies complex ideas and situations
- Seeks information

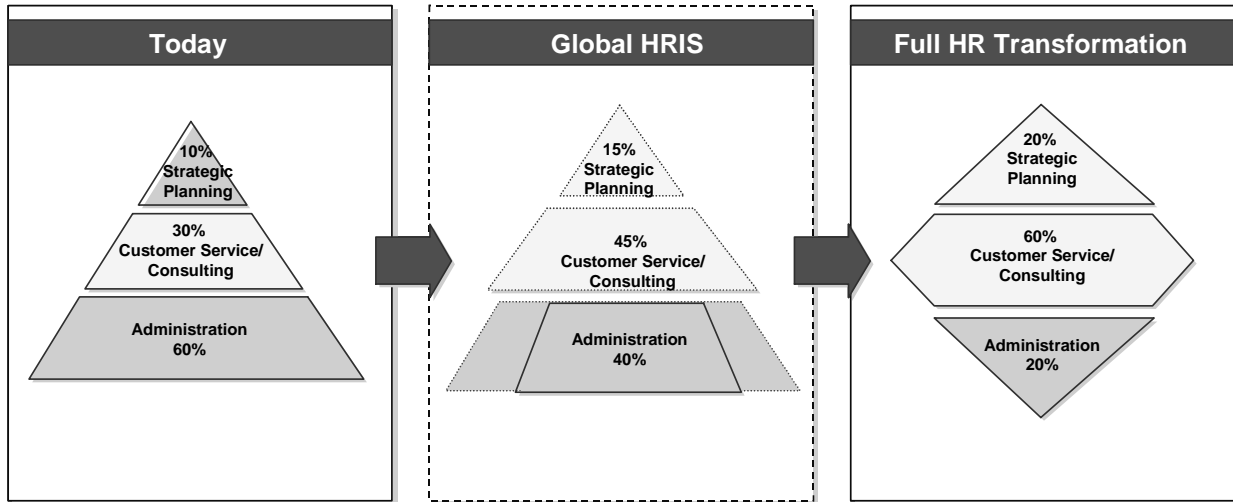
Source: Company documents

Exhibit 4 Scope of Global HRIS



Source: Company documents

Exhibit 5 HR Transformation



Source: Company documents

Exhibit 6 HRIS Project Milestones

2003				2004				2005				Q1
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
		Blue-print	1 Prototype	Global HRIS								
				3 SAP Business Warehouse (BW)								
				2 North America		Latam						
				CH		Europe						
				Roll-out 1				Asia				
				Roll-out 2								
1 Checkpoint before start Prototype								4 Talent tracking activated for North America, Switzerland, CEG				
2 Implement Pilot (TBD - small country or US entity)								5 Total Compensation solution activated for North America, Switzerland, CEG				
3 80-100 Core Global Data Elements												
Employees covered				31 K				51 K				74 K
Headcount (Internal/External) 26/9				37/18				55/21				33/10 27

Source: Company documents



STANFORD

GRADUATE SCHOOL OF BUSINESS

STUDY QUESTION #: HR-22SQ

DATE: 01/14/04

STUDY QUESTIONS FOR TRANSFORMING HUMAN RESOURCES AT NOVARTIS: THE HUMAN RESOURCES INFORMATION SYSTEM (HRIS)

1. What are the major challenges facing the Novartis HR organization in the implementation of the HRIS (technical, organizational, managerial)?
2. Why do these systems sometimes fail?
3. Given these challenges, what are the major obstacles and what will it take to overcome them?
4. Given a successful implementation, how will the role of HR be in the future? How will it be different from today? What competencies will be needed by HR professionals?

These study questions were prepared by Professor Charles O'Reilly for the sole purpose of aiding classroom instructors in the use of "Transforming Human Resources at Novartis," GSB No. HR-22. It provides analysis and questions that are intended to present alternative approaches to deepening students' comprehension of business issues and energizing classroom discussion.