

**Notes for remarks by**

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# **A Sound Foundation for Human Resources**

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Thank you.

I am pleased to be here today to provide the closing Executive Address to the 2004 HR Conference. It's an honour to be asked to deliver the closing address, but it's also a real challenge.

This conference has brought together so many excellent speakers to cover so many worthwhile topics that there really isn't much left for a wrap-up person to talk about.

Working under the banner of "Taking Human Resources to the Next Level", you have examined everything from the impacts of technology to defusing conflict in a stressful workplace; from leadership to work values; from demographics to employment law; and from corporate responsibility to succession planning.

That doesn't leave very much for me.

So what I would like to do is address bits of all of those topics, but in the context of "maintaining a sound foundation for human resources."

The conference has focused on "the next level" and HR practices in the 21<sup>st</sup> Century. That is totally appropriate. HR professionals need to look to the future, to be aware of emerging trends, and to "stay ahead of the curve".

But we should also remain focused on the basics – the foundation that enables us to attract and retain the best and brightest.

So I'd like to comment on what I think employees want from us, and in so doing I will address many of the topics that were discussed these past two days.

It shouldn't be surprising that with today's broad range of employee wants and needs, organizations are struggling to find the right strategies and mix of programs to retain people.

Some companies have opted to try to retain all employees, which I think is truly futile, not to mention expensive. Others are targeting to retain only their top contributors – which sounds reasonable on the surface, until you realize those are the employees who are going to be the most aggressively recruited by others.

Some organizations, in realizing this, have decided to accept the inevitable attrition of top performers and focus their efforts on continuous and aggressive recruiting. And in some specialized industries, such as the aircraft industry, companies have actually agreed to cooperate and share “pools” of key employees, rather than constantly compete with each other to hire the same people.

The tools being used for retention are also many and varied.

Performance-based pay programs generally top the list. “Golden handcuffs” – pay packages weighted heavily toward unvested options or other forms of deferred compensation, to try to lock in key performers – are also widely used. Although in my view, no matter how good the “golden handcuffs”, a recruiter can always offer more with a “golden hello” package of signing bonuses to offset that “golden handcuff”.

Job flexibility and customization, more paid time off, telecommuting, job sharing, more and better benefits packages – all are used to retain employees. So are some newer and innovative ideas such as paying off student loans for new hires; provision of tax-effective health-care spending accounts; casual business dress; even company-provided cell phones.

Do these retention strategies and programs work? The answer usually is yes, and no – they probably work for some employees, and not for others.

Which brings me to my basic position that retention requires a well-thought-out, comprehensive approach to programming, one that creates an environment and corporate culture that make as many key performers as possible want to stay – at least for a while.

### **WHAT DO EMPLOYEES REQUIRE?**

To me, that means being a real employer of choice is not necessarily the organization with the most innovative programs or highest salaries or biggest compensation package. An employer of choice is one with a culture of satisfaction, teamwork and contribution. A place where these values are supported and nurtured. An organization that is recognized as successful because success breeds success, and top performers usually want to work for a winner.

Why do employees leave? Feeling under-valued by the organization, seeing little opportunity for advancement, and conflict with a supervisor or

co-workers head that list. As we know, people often leave managers, not organizations.

In today's business environment, employees are increasingly mobile. They enjoy increasing choices as to where they live and work. This is certainly true in a highly competitive labour market like Calgary.

What are these individuals looking for?

Training and mentoring and the knowledge that there is room for advancement. A sense of long-term potential and earnings potential. A positive, flexible and responsive culture.

But more and more, I believe what most are really looking for is a business environment where they can be involved and are able to make a difference. They're looking for organizations where their contributions are valued. And they're looking for corporate cultures that reflect their own values.

They're independent-minded. But they also have strong commitment to their work. As some HR experts have observed: "Loyalty is not a dirty word any more. It's coming back into fashion."

This time, however, loyalty isn't just based on a work contract or a pay cheque. It's based on a broader set of social requirements — one of which, I believe, is our ability to reflect our employees' personal outlook and values.

### **WHAT DO EMPLOYERS NEED TO PROVIDE?**

So what do we as employers need to do to keep good people? Much of the answer, or answers, was addressed in the conference the past few days. Some of it is innovative, some of it is common sense.

There is no "right" approach to retention. It's right only if it works for you. Search for best practices by other organizations, but adopt only those strategies and programs that are right for your employees.

In my view, we need to provide four things.

One is leadership. I believe the old saying that "programs can be managed, people need leadership" is absolutely true.

Employees today want to work for someone who inspires them, who clearly has a vision, and who lets them take responsibility and provide leadership themselves.

The second requirement is to provide competitive and appropriate compensation and benefits. Here, innovation can be helpful, because I believe offering employees some choice and flexibility in defining their own packages can be more effective than simply “throwing money at people”.

The third requirement is for companies to plan and manage succession, training and leadership development. All employees need to learn, and grow, and develop. All need a chance to become leaders. This is important for most employees, so employers have to make it happen.

The fourth thing employers need to provide is a culture and an environment that reflects employees’ desire to “work for a winner”. Organizations need to build on and celebrate their successes. Successful companies – “winners” – generally find it easier to attract and retain top talent.

Being a “winner” means being financially successful, but it also means much more than that.

It means being a caring company, one that supports the communities where it operates and cares about its reputation.

It also means being a socially responsible organization – open, honest and ethical.

I know all of you have experience and good ideas on how to deliver the first three requirements I just described. So I’d like to focus the rest of my remarks on this fourth point, which I know was explored in presentations at this conference, but which I would like to reinforce. I believe that it is this area that will lead us to the real foundation of successful organizations and successful recruitment and retention strategies.

Meeting this requirement means asking ourselves as companies: Do we add something of value to society beyond economic development?

I like to think we have such a culture at Enbridge. Community involvement and community investment are cornerstones of how we do business. We created such a culture because it was the right thing to do. Now, we find it helps us retain employees, because they agree with that sentiment.

Today, as you are aware, corporations are being called on, as never before, to assist in meeting different social needs. Government funding for charities and other community services has decreased over the years. And business is expected to give more – do more – for the community.

Even back in 1997, an Angus Reid survey found that over 60 per cent of Canadians surveyed agreed with the statement that “business has a broader social responsibility, not only to provide jobs and returns to shareholders, but to contribute directly to the community through charitable donations and employee volunteering.”

Certainly, from this and other research, it’s become clear that community involvement is an important driver for change in our business world.

Increasing the involvement of business in the community is the right thing to do. I also believe it makes good business sense.

Employees can choose to join our organization based on our social practices and programs. Consumers can choose to do business with us based on our involvement in the community. Our actions in the community have become essential to maintaining and enhancing the success of our business.

## **THE CORNERSTONES OF SUCCESS**

All of which brings me to the two cornerstones of success for any organization – be it business success, or human relations success. Those cornerstones are a set of integrated, thoughtful and meaningful values, that truly represent the values of employees and management, and truly represent how the company and its employees conduct themselves. And a commitment to corporate responsibility – an integrated, thoughtful and meaningful approach to being a good corporate citizen.

Back in 1970, in an interview with The New York Times, renowned economist Milton Friedman first uttered his famous observation that “the business of business is business.” As times and attitudes have changed – and as events such as the Enron scandal have shaken investor confidence – Mr. Friedman’s perspective on business has been seriously challenged. The reality for most companies today, at least for those who want to retain the ability to do business, is that the business of business is much more than just business.

Today, business success is no longer based solely on production facilities, revenues from sales and return on equity. Now success also requires a commitment to less easily measured, less tangible assets – such as relationships, brand loyalty and corporate reputation, quality of employees, corporate culture, and above all, corporate values.

Enbridge has a set of clearly articulated values that all members of the organization are expected to adhere to. There are five values statements.

First, “Integrity”:

- At Enbridge, we operate with integrity, honesty and transparency in all of our dealings with stakeholders. We operate to the highest ethical standards with our customers, shareholders, employees, partners, landowners and others with whom we interact. We communicate openly and honestly.

Second, “Accountability”:

- At Enbridge, we are accountable for our actions – as individuals and as an organization. It is everyone’s responsibility to be the best he or she can be at all times, whether dealing with customers, shareholders, partners or other members of the Enbridge team.

Third, “Innovation and Flexibility”:

- At Enbridge, we embrace innovation and learning, both for the organization and for our people. We are open to change, adaptable to evolving circumstances, and flexible – we value agility and the ability to move quickly to anticipate and respond to a changing business environment, creating new solutions for new challenges.

Fourth, “Value Creation”:

- At Enbridge, we create value for our shareholders and business partners. We strive to deliver a prosperous future for our shareholders, partners, customers and employees, through growth in the enterprise that adds value, and through excellence in customer service.

And fifth, “Social Responsibility”:

- At Enbridge we value the safety of our employees and the public; a clean and healthy environment; and strong, vibrant communities. We

are committed to sustaining these essential values through socially responsible operations and involvement in our communities.

These values are the cornerstones of our commitment to corporate responsibility, which in turn is built around the concept of sustainability. Simply put, a sustainable enterprise is one that is built for the long-term. Plans are laid and decisions are made that meet business goals while protecting the future ability of the corporation to operate. Such decisions combine economic realities with the social and environmental considerations that ensure longevity.

As a result of numerous environmental, human rights and ethical issues since the 1980s, the concept has earned real credibility among business and political leaders as an alternative model for business and society.

At Enbridge, we are currently developing a corporate responsibility policy and practices that will make our sustainable approach replicable by helping us define and measure our performance in key areas such as environment, health and safety; governance; human rights; and stakeholder engagement. It will define and monitor how we relate to those who influence our business success.

Our performance in these key areas – and our public commitment to measure and communicate it – creates our most important asset: our reputation.

One of the main reasons that strong corporate responsibility practices benefit shareholders is that they reduce the risk of incurring significant costs and loss of reputation associated with social and environmental mishaps. A Conference Board survey of senior executives in 2000 found that 92 per cent felt that the issue of reputation management had increased in importance over the previous five years, and 98 per cent predicted it will become even more important in the following five years. (And that survey was before the Enron scandal.)

Reputation determines whether or not we will have access to the resources and capital we need to grow, and whether we will get sufficient return on the investment of that capital to make us a competitive enterprise.

If we don't protect our reputation through the rigor and discipline of a corporate responsibility policy, we may not have a licence to operate. Projects can be delayed or approvals not granted. Regulators increasingly

look to corporate responsibility policies to determine a corporation's intention to operate in a socially responsible way.

A corporate responsibility policy and practices will also ensure that we can keep our public commitment to operational excellence by creating a low-cost, high performance environment that fosters innovation. And it's that sort of environment that organizations need to attract and retain talent.

Corporations have been increasingly heeding the call for more responsible governance, increased transparency and greater accountability with respect to both internal and external practices and policies. Similarly non-profit organizations are also being called upon to adopt more robust governance practices and also increase accountability and transparency. And governments have seen growing disaffection and loss of trust, due in large part to a perceived lack of accountability and transparency.

Corporate responsibility is not something additional or peripheral to the primary purpose of being a good and profitable business. Ethics and integrity are simply an integral part of how to go about that purpose.

Among the companies that are leaders in adopting corporate responsibility, some see it as a way to pursue competitive advantage, some see it as a way of achieving business success without compromising integrity. But few see it as a purely altruistic strategy.

There is an increased awareness that failure to meet changing stakeholder expectations and to manage the risks that are being created by corporate citizenship issues can have a negative impact on key business issues such as reputation and brand equity, a company's legal and social "license to operate", and the ability to attract and retain the best employees.

### **IN CONCLUSION:**

So let me conclude today by saying that organizations need a well-thought-out, contemporary smorgasbord of programs that meet employee needs, are harmonized throughout the organization, yet are flexible enough to meet local imperatives. The goal isn't programs for the sake of programs. The goal is an environment that fosters a culture where employees can grow and feel appreciated.

But be realistic. No matter what any of us does, we are not going to keep employees forever. That is the nature of today's workforce and today's job

market. The best any of us can hope for is to attract and retain good people who will contribute and stay for a period of time.

And always remember that the two most important resources that any organization can use to attract and retain talent are the same resources that organizations need to succeed in all other aspects of their business. A set of strong values, and a commitment to corporate responsibility. They are the foundations of all real success – in life, in business, and in HR.

Thank you.