

PASSPORT

The Competence Marketplace

Skandia Sweden models a unique solution for employee development that keeps talent from leaving.

By Scott Hawkins

Photo by Corbis

For most of its 145-year existence, Skandia has been a traditional life-insurance firm. From its Swedish home base, it developed and administered life, property, and casualty insurance products. Starting in the late 1970s, the company began to change its focus and now emphasizes providing individual and corporate long-term savings solutions and pensions. Those changes placed Skandia at the forefront of the insurance and financial service industries. The 2000 Global *Fortune* 500 ranked Skandia as the world's 10th largest insurance company, with assets under management valued at SEK 992 billion Swedish Kronor

(about \$106 billion in U.S. dollars). From its initial base in Scandinavia, the company now operates with more than 7000 employees in more than 20 countries and was selected as one of Europe's "Ten Best Places to Work" by *Fortune* magazine in 2002.

Skandia's competitive challenge is common to many knowledge-intensive companies; its innovative products and services don't stay unique for long. That rapid commoditization of products and services is inherent in the financial services industry. This sector traditionally lacks intellectual property protection, such as patents, and its products-and-

services knowledge content is high. Skandia's competitive choice was to focus on being a continual innovator.

Skandia depends on its employees' ability to understand the needs of a changing marketplace and then combine that understanding with their knowledge to design and manufacture financial products and services. By the early 1990s, Skandia's management realized that competing as an innovator meant competing on its employees' competence. The link between employee competence development and the company's business goals became transparent. That transparency increased because of Skandia's pioneering work in intellectual capital.

Skandia breaks its intellectual capital into these main categories:

- human capital (employees' knowledge and skills)
- customer capital (relationships with customers and partners)
- process capital (the software and methods the company uses to produce value-added goods and services).

Skandia must continually renew and develop its intellectual capital if it's to ensure its supply of those key intangible resources. Intellectual capital management is effectively using those resources to create long-term financial value.

To manage its human capital, Skandia Sweden focuses on attracting, retaining, and developing talent. With the link between investing in human capital development and long-term financial success made clear, management and staff realize the value-added benefit of continuing employee education. Skandia's management developed corporate universities, provides tuition reimbursement, and encourages employees to take full advantage of learning opportunities. But that knowledge-improvement activity had an unexpected consequence: Skandia noticed an increase in staff turnover. That was a concern, given its

investment in developing employees' competence. Exit interviews revealed that employees were "burned out" from the pressure to work and engage in continual learning. Workers were, in fact, sacrificing their home lives in order to achieve competency development.

So, Skandia Sweden faced a dilemma: The more it encouraged employees to learn and develop new knowledge, the greater their personal lives suffered—which led to increased turnover and a loss of knowledge to the firm. Traditional leaves of absence imposed a financial penalty on employees and a performance penalty on the company.

Skandia's solution was to create a new benefit aimed at restoring the balance between work, competency development, and employees' personal lives. The new benefit is a competence savings account into which employees can pay part of their salary. Structured much like a 401(k) plan, Skandia matches an employee's contribution. At some point, funded by his or her competence account, an employee can take time off and receive full salary while the company uses the funds to hire a temporary worker to fill that employee's position.

For employees with minimum education, 15 or more years of experience, or who are age 45 and over, Skandia matches at a rate of three to one. Skandia identifies any employee who meets any of those criteria as being at risk of their knowledge and skills being inadequate for current and future business challenges. The matched contribution enables such employees to go on a competence leave faster.

The competence market

As employees began saving towards their competence sabbaticals, an interesting development occurred. They rightly viewed the competence account fund as their money, to be spent on improving them as individuals. So, they began ask-

ing management how they could best spend the money. Skandia responded by creating a Website—The Competence Marketplace—where employees could develop and manage their own competence growth plans.

The Website includes employees' competence account information (monetary value of the account) and the tools necessary to manage the account, such as changing the withholding amount or links for implementing competence development plans. Also stated are the rules and regulations governing the program, as well as the other Skandia Sweden competence development programs. In addition, there are links to several Swedish universities and training resources that have created special programs for Skandia employees, a calendar of program availability, and internal job postings.

The Competence Marketplace became an attractive benefit, which led Skandia Sweden to wonder whether other companies would be interested. To explore that, Skandia began offering the marketplace as a commercial product. Now, more than 400,000 non-Skandia Swedish employees have access to a competence marketplace through their companies.

As European governments face the challenges of an aging population, the Skandia competence account has recently become the model for government-sponsored programs. The Swedish Parliament is considering a proposal to establish individual learning accounts. In September 2000, the United Kingdom launched its version; the millionth account opened in May 2001.

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