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Presentation n^o 5

„ Which Choices of Human Resources' policy for senior executives?“

Personal presentation

My name is Antti Huhtamäki and I'm invited here to describe the process of succession among the top managers within my organisation, Farmers' Social Insurance Institution MELA. I have worked as a Director at the Farmers' Social Insurance Institution (Mela) since 2004. At that time, I was responsible for the whole Finnish network of insurance sales agents and customer services in headquarters. Later, tasks regarding insurance of farmers were added to my area of responsibility. Since the beginning of this year I am also responsible for the systems on statutory pensions and accident-related compensations.

During the first years my major task was to plan and execute the reorganization of the agent network. After the renewal of the agent network I have been responsible for the renewal of the customer service concept. Furthermore, I have been centrally involved in the project where a new customer segment, grant recipients, was welcomed to Mela's clients. Grant recipients are people who carry out scientific research or artistic work and are funded through scholarships or grants.

I studied at the University of Helsinki, and graduated in 1986 with a Master of Science in Agriculture and Forestry. After graduation, I worked for 13 years in the Central Union of Agricultural Producers and Forest Owners (MTK): My tasks included structural development and social policy-related tasks. At MTK I was also the representative in court, dealing with appeals related to pension and accident decisions. I then started as a director responsible for agricultural customers at a nationwide commercial bank. After the five-year banking career, I moved to Mela. Practical experience as a 'farmer in work' I have received by working in part-time farming as an entrepreneur for over 10 years.

Mela's senior management recruitment process

At Mela, the highest decision-making power lies with the Board that has delegated authority to the CEO and the management team (Executive Group). Executive Group comprises the President (CEO) and two Vice Presidents (CFO and COO). Hereinafter I describe the recruiting process of the directors at the level of the Executive Group.

Mela's top management succession has taken place in a very short period of time. Over the last six years, all the "old" directors have retired. The retirement

of directors has enabled the adjustment of the number of the new directors and responsibilities, with the reduction of the number of directors from five to three. Today, the CFO (Chief Financial Officer) is responsible for both financial affairs and IT issues. Earlier, we had two persons in charge of these sectors. The COO (Chief Operating Officer) is responsible for all customer services, including insurances, pensions and other benefits, holiday and substitute schemes. The Legal Affairs as well as Human Resources and Communications Unit are still under direct supervision of the CEO.

This reform in top management has enabled the renewal of the rest of the organization. By re-organizing the areas of responsibilities it has been possible to form more meaningful functional units and, at the same time to reduce the total number of directors and managers by 40%. This has intensified activities and made it possible to reduce the staff costs. The reorganization has met the expectations of both the insured and those of the most important financier, the state. MELA has, in turn, had to adapt to the shrinking of its traditional client base.

Top management reform has taken place in a very clear pattern. The process starts with the discussion on the exact time of the retirement with every director approaching retirement age. In practice, this means that the discussion would take place soon after a person has reached the age of 60 years.

When the CEO is about to retire, the Chairman of the Board will hold the discussion, and with the other directors the CEO holds the discussion. The discussions result in a precise transition time of retirement, generally in good agreement.

When the timetable of the retirement is more precise, possible changes in the responsibilities of director and lately, also, if a new director is needed, will be reviewed. The most recent review resulted in combining the tasks of two directors with existing responsibilities of another director. At the same time it is possible to look at the broader organizational division of responsibilities and make the necessary changes.

The Board has the supreme decision-making power in director selections. At first, the suitable candidates that can be either from within or outside the organization are identified. In search of candidates, a variety of approaches are employed. The discussions between the Board and CEO have been the main method of finding the potential persons, but public recruiting procedures are also used. It is also possible to use head hunters. Mela's own HR Unit can provide technical assistance as needed.

After a preliminary review the number of potential candidates is limited to a few persons who are then sent to suitability test arranged by a recruiting company. Furthermore, clarifying discussions are carried out on any terms of the employment. After this the Board will have the final discussion and the most suitable candidate is selected.

There are no special requirements for the educational background or prior professional experience. In practice, the person selected is required, however, to have an appropriate Master's degree suitable for the task. There are general eligibility criteria set out in law for the CEO of Mela, for example, to have sufficient knowledge of the pension and accident insurance and other social security systems.

Previous work experience is also of great importance. The person should also prove confidence to all the parties represented at the Board. The approval must be granted by both agricultural producers and state representative members of the Board. The selection of director should be a unanimous decision. Selections are not political.

The new director will take over so that he/she can work at least for a few months at the same time as the director who is about to retire. This is to ensure that the required "tradition" can be transferred to the new director. Practice has shown that a few months of transition period is sufficient. In this context, special short-term arrangements can be made for the retiring director. This allows for a flexible and appropriate transfer of responsibilities to a new director.

The above described recruitment model has worked well. Mela's compact Executive Group has currently extensive expertise of important operational issues including law, finance and livelihood of the insured clients.