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Edwards Lifesciences' Talent Management Practices: Creating a Competitive Advantage

This case was written by ***Debapratim Purkayastha,*** *IBS Center for Management Research. It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.*

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Edwards Lifesciences' Talent Management Practices: Creating a Competitive Advantage

"By having strong talent in critical positions our technologies have the greatest potential to have a real impact on patients."[1]

- Michael A. Mussallem, Chairman and CEO, Edwards Lifesciences Corp.

"We developed a very robust companywide talent management process that we have been engaged with since 1997, and we have made it better every year."[2]

- Robert C. Reindl, Corporate Vice President, Human Resources, Edwards Lifesciences Corp.

PEOPLE-POWERED INNOVATION AND GROWTH

In November 2009, the world's leading heart valves and hemodynamic monitoring company, Edwards Lifesciences Corp. (Edwards), announced that it expected its revenue to grow by more than 10% in 2010, which was much higher than analysts had predicted.[3] Earlier, the company had announced stellar results for the first three quarters of 2009, and said that its full-year 2009 revenue was expected to be in the range of US$1.30 billion to US$1.35 billion. Analysts felt that the company had grown at a fast and consistent rate since it was spun off from Baxter International Inc.[4] (Baxter) in 2000. The growth had been driven by its innovative products. For instance, its transcatheter heart valves, introduced in 2008 and sold under the brand name 'SAPIEN', were hailed as a major innovation. The company's stock price had risen from an initial public offering price of US$14 to around US$90 in November 2009.

Both Michael A. Mussallem (Mussallem), Chairman and CEO of Edwards, and Robert C. Reindl (Reindl), Corporate Vice President, Human Resources, at Edwards, attributed the success of the company to its rich pool of talent, nurtured over the years through its talent management processes. "If we didn't have these people, none of our successes would have been possible,"[5] said Reindl.

While the talent management processes at Edwards started taking shape even before it was spun off in 2000, it was after it obtained its new identity that Mussallem and Reindl worked closely to put talent management up as a key priority on the company's agenda and wove it into the company's business strategy. "Failing to meet our workforce targets is as serious as missing a sales goal for the quarter,"[6] said Reindl. The talent management initiatives at Edwards included a

[1] Todd Henneman, "The Jobs You Can't Do Without," *Workforce Management*, December 12, 2005.

[2] "Hearts and Minds," LX *Briefing*, Volume 2, Issue 7, July 2007 (Retreived from www.astd.org/NR/rdonlyres/0758EDC8-B968-439F-9132-319946C9860D/13863/LXB_July07B.pdf)

[3] Vita Reed, "Edwards Sees 10%-Plus Sales Growth in 2010," *Orange County Business Journal*, November 11, 2009.

[4] Baxter International Inc., headquartered in Deerfield, Illinois, USA, is a healthcare company.

[5] Gina Ruiz, "Hiring for the Intangibles," www.workforce.com, March 2007.

[6] Gina Ruiz, "Edwards Lifesciences: Optimas Award Winner for Competitive Advantage," *Workforce Management*, March 26, 2007.

meticulous process to identify the company's mission-critical jobs, talent acquisition, succession planning, training and development, and evaluation. The company had also developed a unique culture that helped it realize its organizational objectives and promote a performance culture. Experts felt that the Edwards's talent management process had resulted in the company gaining a competitive advantage.

BACKGROUND NOTE

Edwards was the world's leading company in the science of heart valves and hemodynamic monitoring. It was headquartered in Irvine, California, USA, and had regional headquarters in Nyon, Switzerland, and Toyko, Japan. The company had six manufacturing facilities around the world – in Irvine, California; Midvale, Utah; Haina, San Cristobal, Dominican Republic; Anasco, Puerto Rico; and Singapore. Edwards sold its medical technologies in nearly 100 countries.

Edwards's origin can be traced back to 1958, when Miles "Lowell" Edwards (Miles), who was then 60 years old, started his endeavor to build the first artificial heart. Though he believed that the human heart could be mechanized, his concept met with some resistance. Miles was asked by Albert Starr (Starr), a surgeon at the University of Oregon Medical School, to focus on developing an artificial heart valve instead. In 1960, they were able to develop the first Starr-Edwards mitral valve. It was also tested and successfully implanted in a patient on September 21, 1960.

The following year, Miles and Starr developed and launched the first mechanical aortic replacement valve. These innovations led to the establishment of a company named Edwards Laboratories, in Santa Ana, California. In 1966, Edwards Laboratories was acquired by American Hospital Supply Corp.[7] (American Hospital) and was renamed American Edwards Laboratories (American Edwards). In 1985, the company became a part of Baxter with Baxter's acquisition of American Hospital. American Edwards operated as the cardiovascular division of Baxter. In early 2000, Baxter spun off American Edwards as the independent, publicly-held corporation named Edwards Lifesciences (Edwards). The same year, Edwards began trading on the New York Stock Exchange.

Over the years, Edwards had developed and successfully commercialized a number of innovative products for heart patients. For instance, the SAPIEN Transcatheter Heart Valve that the company introduced in 2008 was considered to be a disruptive innovation in this field. In addition to its heart valve therapies, the Edwards organization was credited with pioneering many other medical innovations, including the Swan-Ganz catheter[8] and the Fogarty line of embolectomy catheters[9].

Experts felt that it was Edwards's focus on churning out innovative therapy options that had led to its rapid growth. The company's revenues reached US$704 million in 2002 and crossed the US$ 1 billion mark in 2006.[10] For the year 2008, it earned revenues of US$1.24 billion. (Refer to Exhibit I for Edwards key financials: 2006-2008) Its main products were Carpentier-Edwards, Cosgrove-Edwards, Fogarty, PERIMOUNT, and Swan-Ganz. As of 2009, the company employed more than 6,300 employees.[11]

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[7] American Hospital Supply Corp. was a diversified healthcare company that was based in Evanston, Illinois,USA.

[8] The Swan-Ganz catheter was the first technology ever used for hemodynamic monitoring of critically ill patients.

[9] The Fogarty line of embolectomy catheters were the first catheter-based technologies used to remove blood clots from the arms and legs.

[10] Ray Marano, "The Heart of Innovation," www.sbnonline.com, September 2007.

[11] www.edwards.com/SharedPages/Elf.htm

STRATEGIC APPROACH TO TALENT MANAGEMENT

According to experts, Edwards had a strategic approach to talent management. The company felt that talent was critical to its overall business performance and as such, had established a robust talent management process in the company. The focus on talent management was, in a way, inherited from its parent companies. Edwards Laboratories, American Hospital, and Baxter each had a history of attracting talented people. In particular, Baxter had developed a reputation for talent management and for nurturing and churning out talented managers. Many of the managers who had worked in the company and later held key positions in other companies were all praise for Baxter, some saying that it was 'an excellent training ground for managers'.[12]

Vernon Loucks (Loucks), the then CEO of Baxter, was set to step down in 1999 and wanted to leave the company and its divisions well-prepared for the future. Therefore from 1997, the company's executives were challenged to identify the main imperatives for the future for each division and region. Baxter hired the services of McKinsey & Co. (McKinsey) in 1998 to aid this process. Loucks started working with McKinsey to identify the jobs where the company needed strong performance to achieve its overall objectives. In fact, the endeavor was started at the company influenced by a 1997 McKinsey survey, "War for Talent".

In 1998, discussions started regarding the spinning off of the cardiovascular division. Mussallem was the Group Vice President, Cardiovascular business and Biopharmaceuticals business, at Baxter at that time.[13] He started working closely with Reindl, who was then Global Vice President for the company's Institute for Training and Development,[14] and McKinsey to identify mission-critical jobs for the division and to allocate top performers to those jobs. Regarding the importance of the initiative, Reindl said, "We weren't going to have the Baxter corporate leadership to lean on any more… We were going to be by ourselves, our own independent company on the New York Stock Exchange."[15] What followed was a thorough 'bottom-up analysis' of the division to identify the critical jobs.

When Edwards was spun off in 2000, Mussallem became the CEO and Chairman of the newly formed company while Reindl was appointed Corporate Vice President, Human Resources. Reindl's responsibilities included Talent Acquisition, Talent Development, Organization Effectiveness, Compensation, Benefits, HR Systems, and Employee Relations.[16] Being on its own for the first time, Edwards was not sure whether it would be able to attract the right type of talent. According to Reindl, the company had to take many tough decisions in 2000. One the one hand, it had to take a chance on hiring some people who showed a lot of promise but didn't have enough experience; on the other, it had to fire some, who as people were good but were not necessarily top performers.[17]

Mussallem gave a lot of priority to nurturing talent at Edwards. Immediately after Reindl's appointment, he sat down with him to analyze the company's talent and the organizational structure and to formulate steps to build an organizational culture that fostered innovation, risk taking, and development. These sessions resulted in the formulation of Edwards's credo in which Mussallem strongly advocated that the company should be defined as a trusted partner of customers and patients that acted "boldly, decisively, and with determination on behalf of the people who are fighting cardiovascular disease."[18] (Refer to Exhibit II for Edwards's Credo) "We

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[12] Vita Reed, "Baxter, Its Acquisitions Spanned Fraternity of Healthcare Executives," *Orange County Business Journal*, December 12, 2005.

[13] Glenn Hall, "Edwards' Mussallem Sees Success in Failure," www.ocregister.com, May 24, 2007.

[14] www.hrstrategyforum.org

[15] Todd Henneman, "The Jobs You Can't Do Without," *Workforce Management*, December 12, 2005.

[16] www.hrstrategyforum.org

[17] Gina Ruiz, "Hiring for the Intangibles," www.workforce.com, March 2007.

[18] Rob Reindl, "Growing Talent at Edwards Lifesciences," *Training & Development*, February 2007.

felt like the greatest challenge was to get Edwards really going again. And to drive that growth in this space, we felt like the most important thing we could do was to apply technology to address unmet patient needs, which spelled innovation… That was going to be the way that we profitably, positively grow the company for our customers, for our employees, for our community and, most importantly, for patients. Having said that, we felt like the culture here had become conservative, and we had become slow-growing, so we did several things here to generate the internal climate to drive the growth," [19] said Mussallem. For achieving what had been laid down in the credo, Mussallem contended that there should be the right talent in the right place at the right time.

In addition to the credo that provided a broad direction for the company, Mussallem also worked with the management team to identify a concise set of goals called Edwards's aspirations, that were statements that focused on growth rate, profitability, customer loyalty, new product introductions, employee engagement, and shareholder value.[20] The credo and aspirations together set the foundation for a performance culture at Edwards, according to Reindl.

Mussallem was vociferous in emphasizing the importance of talent management and it was made a key agenda for all – monthly meetings of Edwards's executive leadership team as well as every board of directors meeting. The company also decided that talent management would be included as a leadership competency on which every manager would be evaluated annually. In September every year, the board of Edwards met for two days to review performance and formulate the strategy for the following year. At this meeting, the priorities for five key operating drivers for each business unit, function, and region were identified. Talent management and review were also high on the board's agenda.[21] Mussallem himself spent about 20 percent of his time on talent acquisition and development activities.[22]

IDENTIFYING MISSION-CRITICAL JOBS

Charting the various functions within the company and identifying which operations were critical was a continuous practice at Edwards. The company identified 75 critical job functions and updated the list on a regular basis in accordance with the shifts in business strategy. The people whose jobs were deemed to be critical fell under the broad division that included engineering, marketing, and clinical. Emphasizing the importance of identifying these critical jobs, Mussallem said that effective implementation of strategy depended on the people implementing the strategy, and these people need not necessarily be in the top positions. "You need A players in the most critical jobs, and those critical jobs are not necessarily just a slice across the top of the organization… It might be a supervisor, an engineer, or a scientist, depending on the strategy,"[23] he said.

However, arriving at the list of critical jobs was not easy as the people involved in the process tended to name the people holding the top position whenever there was a discussion on the subject. So the company decided not to use the names of people but to focus on the job itself so that these critical jobs would be driven by position and not personality. Once it was decided that a particular job was critical, the company saw to it that an A talent was put in that position and the job-holder was given clear objectives that had been vetted by the CEO. The employee handling the job was also paid a higher remuneration. "We want to make sure they aren't paid below market, for sure. So they are paid either at or above market,"[24] said Reindl.

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[19] Ray Marano, "The Heart of Innovation," www.sbnonline.com, September 2007.

[20] Rob Reindl, "Growing Talent at Edwards Lifesciences," *Training & Development,* February 2007.

[21] Edwards 2004proxy www.edwards.com

[22] Stephenie Overman, "The CEO as Recruiter," *HR Magazine,* April 2008.

[23] Tony Bingham and Pat Galagan, "Finding the Right Talent for Critical Jobs," *Training and Development*, February 2007.

[24] Todd Henneman, "The Jobs You Can't Do Without," *Workforce Management,* December 12, 2005.

A job which was considered critical one year might not remain critical another year. "A critical job doesn't always stay a critical job, and if one is removed from the list it's not necessarily because of performance. A critical job is not about the person who holds it; it's about the job and its association with the strategy,"[25] explained Reindl. At Edwards, every year each employee was asked to create personal management objectives, which were mapped to the key operating drivers by managers and directors. Each year, the 15 top-ranking executives of Edwards had a meeting with Mussallem to discuss the strategic imperatives, organizational challenges, and new mission strategies. Based on the outcome of this meeting, a decision was taken as to whether to make any amendments to the company's talent management strategy and its list of critical jobs.[26] Arriving at the new list was a meticulous process that started with a discussion on the organization's mission and strategic imperatives and ended with talent reviews by the CEO. There were discussions on current organizational structure, critical jobs, high potentials, and key technical talent. According to Mussallem, there was a great deal of intensity at these meetings as the executives discussed and debated which jobs were critical and which were not. Steps were also taken to ensure that people holding critical jobs did not turn in below par performances. Both Mussallem and Reindl took a key interest in the critical jobs and how the employees were doing and they conducted around 14 talent reviews annually, each lasting four to five hours. According to Mussallem, if there were some urgent issues hindering the progress of these jobs, they expected to get a call from the respective employees and were ready to get involved personally to ensure that the issue was addressed.

TALENT ACQUISITION

The management at Edwards believed that is was very important to attract the right kind of talent. Being in a very specialized industry, it required employees to have certain technical expertise that could only be obtained through work experience. It also needed talent in marketing, manufacturing, and sales. However, according to the company, its greatest talent needs were in the fields of engineering, clinical, and regulatory affairs. The challenge before Edwards was that the talent was not readily available. Not only was the talent pool shrinking, but there was extreme competition to acquire this talent.

Edwards divided the list of competencies into three categories – technical, leadership, and traits. According to Reindl, there were six leadership competencies that included innovation and entrepreneurship. The company also arrived at a list of traits after learning from its bad experience after some of its recruits for key jobs failed to last six months. While selecting new candidates, Edwards looked for these traits and qualities that could not be taught. "You simply can't teach somebody about passion… Our work involves putting a foreign object in somebody's body, therefore we only hire those who are seriously passionate,"[27] explained Reindl. Traits such as passion, self confidence, and an "in-check ego" were what the company screened for in the interview process for both internal and external candidates. According to Mussallem, if people were passionate about their work, the company, and the impact their work would have on another's life, it would make a great impact on their leadership. The company also valued self-confident people who were capable of engaging in a creative debate, but who were not arrogant. Mussallem said, "There are a lot of smart people out there, and you have to be pretty self-confident to be successful, and we love self-confidence… But if it ever gets to the point where the ego gets so out of bounds that it turns to arrogance, it doesn't fit very well in our culture. Having an in-check ego is one of the things we screen for."[28]

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[25] Tony Bingham and Pat Galagan, "Finding the Right Talent for Critical Jobs," *Training and Development*, February 2007.

[26] Gina Ruiz, "Edwards Lifesciences: Optimas Award Winner for Competitive Advantage," *Workforce Management*, March 26, 2007.

[27] Gina Ruiz, "Hiring for the Intangibles," www.workforce.com, March 2007.

[28] Ray Marano, "The Heart of Innovation," www.sbnonline.com, September 2007.

Mussallem also believed in recruiting people with different mindsets, as he felt that disagreement, differences, and diversity were necessary to foster innovation. "I think it's important that you surround yourself with great talent — people that think different than you, have different backgrounds, different mindsets, different orientation in general. That allows you to cover for your own blind spots and see things that you wouldn't see otherwise and to focus on having the best people in the right job at the right time. It probably turns out to be one of the most important things you can do as a leader,"[29] he said. That was why the company believed in also recruiting from external sources though it had a robust training and development program. "External hires bring fresh ideas and a new way of seeing things… That helps to keep on our toes,"[30]added Reindl. The company believed in recruiting young talent, especially engineers, so that they could bring new ideas. The company went to the top engineering schools to interview people and invited potential candidates to Edwards. Some of these candidates ultimately ended up as employees of the company.

According to Reindl, he had a star recruiter for positions that were identified as critical in Mussallem as Mussallem was a very good communicator. Mussallem said, "It's the critical jobs that get my attention, regardless of level. I rely on our HR leadership team to let me know if and when there is anything that I can do to help a candidate make the decision to join Edwards. Regardless of the level of the position, I will gladly speak over the phone or meet with a candidate if Rob and his team think I can make a difference."[31] According to Mussallem, of all the activities he was involved in, this was one area he provided the most value.[32]

SUCCESSION PLANNING

Succession planning was a key part of Edward's talent management strategy. For each of the critical positions, the company identified at least two employees who could act as replacements. To have such depth of talent, the company had to not only identify people who were potential successors for critical jobs, but also high-potential employees and key talent. According to Reindl, "The differentiation between high-potentials and key talent is that high-potentials are those people we see getting into a critical job in the next five to seven years. Key talent we identify as someone with more technical or specialized skills, who we may not see as supervising a lot of people — or even wanting to do that — but having technical ability that is so critical to one of our business units that we would hate to lose that person."[33]

In this, training and development played a key role. For instance, if the company identified someone as a potential successor for a particular position, it decided on which jobs he/she should be involved in so that he/she could easily fit into the critical job. He/she was also given priority in terms of leadership development interventions.[34]

Even for its employees in technical areas such as clinical, Edwards had definite career paths. The company offered two career paths – technical and management – and a clinical person had the opportunity to choose either. The training and development requirements of the employees were determined by which track they chose. "More often than not, people who are really technically oriented move up the technical path. Not only is there learning and development associated with

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[29] Glenn Hall, "Edwards' Mussallem Sees Success in Failure," www.ocregister.com, May 24, 2007.

[30] Lee Simmons, "Finding and Keeping Your Best People: Tools for Identifying, Assessing, and Developing High-potential Employees," www.apqc.org, 2007.

[31] Stephenie Overman, "The CEO as Recruiter," *HR Magazine*, April 2008.

[32] Lee Simmons, "Finding and Keeping Your Best People: Tools for Identifying, Assessing, and Developing High-potential Employees," www.apqc.org, 2007.

[33] "Hearts and Minds," LX *Briefing*, Volume 2, Issue 7, July 2007 (Retreived from www.astd.org/NR/rdonlyres/0758EDC8-B968-439F-9132-319946C9860D/13863/LXB_July07B.pdf)

[34] Lee Simmons, "Finding and Keeping Your Best People: Tools for Identifying, Assessing, and Developing High-potential Employees," www.apqc.org, 2007.

that technical career path, but also rewards, recognition, and incentives. We treat our technical career path as important as our management career path because of the importance it plays in our ability to bring innovative products to market,"[35] said Reindl.

TRAINING AND DEVELOPMENT

To create a depth of talent in the organization, training and development played a big role. Mussallem had selected Reindl as the HR chief as he felt that a person with a background in Training and Development would be better suited for that role. Edwards spent millions of dollar in various training and development initiatives including e-learning, instructor-led courses, and leadership development programs. It also depended heavily on job-rotation to develop its employees. "One thing a smaller company can do is to make sure to rotate people and give them many different job experiences. That doesn't cost a lot of money. We also relocate people around the globe to get specific experience, such as performance and learning. We invest the most in job rotations, and we have just instituted an extensive leadership development curriculum, which is delivered mostly as e-learning. We also send some high-potential people to executive business management programs,"[36] said Reindl.

For the young and most promising talent, such as engineers, Edwards had a technical development program. The program comprised four different professional rotations over a two-year period. [37] Through this, employees could gain valuable experience in marketing, manufacturing, quality, and research and development functions. This also enabled them to choose from among the four areas for a longer assignment.

Edwards also used Saba's[38] e-learning system for training managers. But for employees in leadership positions, training was provided through face-to-face interventions.[39] Each year, Edwards conducted a weeklong leadership program for upper management and other promising talent.[40] The company also had a leadership development initiative called ASPIRE that helped reinforce the performance culture championed by Mussallem. Through this initiative, Edwards offered classes in project management, communication, conflict resolution, management practices, and leadership. As part of the initiative, the HR people and key people of the company had together developed a four-day immersion program which required trainees drawn from across the organization to come to the company headquarters and engage in various business simulations and on learning the company's values, strategy, financials, communication, and executive behavior. This program was held four times in a year with 20 trainees in each session.[41]

In addition to this, the company also conducted a number of monthly training sessions for its employees on specific topics such as products, functions, best practices, etc.

ORGANIZATIONAL CULTURE

According to Mussallem, the company's culture played a key role in its success.[42] Edwards had consciously developed a unique organizational culture. While it carried over various good aspects of the Baxter culture, it also developed certain aspects of its own. Mussallem recognized that to

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[35] "Hearts and Minds," LX *Briefing*, Volume 2, Issue 7, July 2007 (Retreived from www.astd.org/NR/rdonlyres/0758EDC8-B968-439F-9132-319946C9860D/13863/LXB_July07B.pdf)

[36] Tony Bingham and Pat Galagan, "Finding the Right Talent for Critical Jobs," *Training and Development*, February 2007.

[37] Rob Reindl, "Growing Talent at Edwards Lifesciences," *Training & Development*, February 2007.

[38] Saba is a leading global provider of strategic human capital management software and services.

[39] Gina Ruiz, "Hiring for the Intangibles," www.workforce.com, March 2007.

[40] Gina Ruiz, "Edwards Lifesciences: Optimas Award Winner for Competitive Advantage," *Workforce Management*, March 26, 2007.

[41] Rob Reindl, "Growing Talent at Edwards Lifesciences," *Training & Development*, February 2007.

[42] Sherrie Conroy, "Edwards Lifesciences: A Passion for Patients," *MD&DI*, November 2009.

achieve its credo, employees needed to be more risk-taking. For this, he developed a culture that promoted 'creative debate' and avoided the blame game. The company also created an ownership culture as it felt that being a relatively small company, each employee had a big impact on the fortunes of the company. "It started out with an ownership culture in which we put stock in the hands of every employee… We asked employees to behave like owners, and we impressed on them the importance they have in the success of the company. Even though we were 5,000-plus employees here, it's a lot different than being a 40,000- or 50,000-plus-person company. Each individual had so much more impact on the company, and driving that message of ownership was key,"[43] said Mussallem.

'Creative Debate'

A key aspect of Edwards's culture was what it called 'creative debate'. "[W]hat we mean by that is that we try to make it safe for everybody to speak up. You should do it in a constructive fashion, and we should get it all out there. And when it's time for someone else to talk, you need to respect what they have to say. Then we will wrestle with it, and we'll try to reach a conclusion. But once we're finished with that debate, we lock arms and we move on. And we take the best of that thinking, and the decision is made — even if it's not yours,"[44] explained Mussallem.

'Creative debate' called for the employees to be capable of spurring a debate irrespective of their level, function, or expertise. Thus people with very little experience could speak to people with more experience, people at the lower hierarchical levels could speak to people at higher levels (even top management), and even peers could challenge each other's ideas and decisions. Edwards looked for this trait when it selected candidates. The company arrived at this trait after interviewing some of the 'mavericks' in its senior leadership. Then it tried to institutionalize this at the company. A course was prepared and delivered as part of the leadership program. The program meant for people at the director level and above focused on the skills and techniques related to the dynamics of debate. The company also designed a symbol that was placed on the table of each executive's table and in the company's conference hall to remind people about this trait. It was a small glass piece with a little tornado and a heart in the center. Edwards also included 'creative debate' as a competency at the company and employees were evaluated on this competency in their performance reviews.

According to Mussallem and Reindl, 'creative debate' had various benefits for the company as it helped in employee engagement and also in fostering innovation that was critical in developing medical devices. "What we want to achieve from such debates is a more creative idea than a group might have started out with, because out of creativity comes innovation, and innovation is critical for this company's future. Creative debate goes two ways: It's the ability to bring up an issue and speak with confidence about it, but it is also the ability to listen to other people,"[45] said Reindl.

'Don't Blame, Learn'

Another key aspect of Edward's culture was its tolerance for mistakes. The company had coined a phrase 'Don't blame, learn' for this. Mussallem wanted to promote risk-taking as this was essential in the sector the company operated in. According to him, one should not always want to succeed for that could limit the person's ability to innovate. He felt that people were good at recognizing their failures and there was nothing positive to be gained through blaming. Engaging in the blame-game could only hinder creativity and innovation and punishing someone was even worse as it could totally shut down creativity. Instead at Edwards, Mussallem wanted a culture that would allow people to learn from their mistakes. He said, "It's a leadership test. It's never so easy to

[43] Ray Marano, "The Heart of Innovation," www.sbnonline.com, September 2007.

[44] Glenn Hall, "Edwards' Mussallem Sees Success in Failure," www.ocregister.com, May 24, 2007.

[45] Tony Bingham and Pat Galagan, "Finding the Right Talent for Critical Jobs," *Training and Development*, February 2007.

congratulate people that are failing. One of the things that goes along, though, with being able to accommodate that, is you don't wait until failures get severe. It's OK to raise your hand and say it's not working. Then often you can head off failures while they're still, if you will, just small issues that can be dealt with. If when you deal with failure you deal with it in such a way that it's quite harsh, people would probably hide the fact that it's not going well until it really turned into a spectacular failure. Then you have something that's a much more difficult business problem to deal with."[46]

The company had developed a process through which it assessed decisions when things did not go as intended. In a very objective way, the team retraced the steps employed to pinpoint the causes for the failure. Mussallem said, "We go through that process in a way that we aren't pointing the finger at people but looking at the broad set of assumptions, because frankly, when we do our planning, we do it with a team, so it's not just one person who's right or wrong, it's the team's attitude that was right or wrong along the way."[47] For instance, in the past, the company invested a significant amount of resources to develop an innovative repair system for aortic aneurysms, but later it abandoned the project at a very late stage in the development process as it felt that the product was not substantially better than some of the technologies already available in the market. Mussallem said that since the company went about the process in a very objective way without pointing fingers at anyone, it helped reinforce the culture.

Mussallem also pointed out that adopting such an approach to mistakes had helped the company come out with cutting-edge products. "I think there's a direct correlation,"[48] he said. According to him, in the past changing environment of medicine, the company's ability to recognize new patterns and adapt quickly, learn fast, and implement, all had correlated directly to the success of the company.

Other Aspects

Mussallem said, "We have a credo that we don't just put up on the wall but that we really talk about. The last line is 'helping patients is our life's work and life is now.'"[49] He said that the company laid huge emphasis on making its employees realize how their work affected the lives of patients. The employees were shown videos of patients whose lives had changed with the use of the company's product. The company also arranged for some patients to visit Edwards in person. According to Mussallem, the impact these interactions had on the employees was enormous and they became really passionate about their work. "The whole idea of having a passion for patients is something that glues us together… We keep working on the right things that way. When we're able to execute — and it does help that we don't try to overreach but stay close to those things that we're good at — that's when we can really make a difference. I'll put the passion for patients at the center of our success,"[50] he said.

EVALUATION

The company had set certain benchmarks which fell under two categories –companywide aspirations and performance management objectives. The difference between the two was that the aspirations were long-term company-wide goals that were reviewed every five years, while performance management objectives were reviewed annually. The talent management processes at Edwards were evaluated on certain metrics. With regard to talent acquisition, the company had put

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[46] Glenn Hall, "Edwards' Mussallem Sees Success in Failure," www.ocregister.com, May 24, 2007.
[47] Ray Marano, "The Heart of Innovation," www.sbnonline.com, September 2007.
[48] Ray Marano, "The Heart of Innovation," www.sbnonline.com, September 2007.
[49] Sherrie Conroy, "Edwards Lifesciences: A Passion for Patients," *MD&DI*, November 2009.
[50] Sherrie Conroy, "Edwards Lifesciences: A Passion for Patients," *MD&DI*, November 2009.

a benchmark that it should not take more than 50 days to fill a position that was vacant. The managers were held accountable for their talent management targets. There was a metric that said that no high potential or key candidates should be paid below the 19th percentile of their estimated market value. The company assessed all new recruits after the first six months where the hiring manager rated them on a scale of one to five. The company also had an aspiration of maintaining a turnover rate for employees in critical jobs and high-potentials at below 3 percent. "Similarly, our objective to fill critical positions in less than 50 days is an aspiration, and that one is really difficult to meet. We would hate to have jobs filled just to meet that aspiration,"[51] said Reindl.

The company also invited its employees to participate in an engagement survey that gauged the employees' attitudes to workplace conditions, functional management, corporate leadership, learning opportunities, etc. This survey was conducted every 18 months. The company's survey completed in June 2006 found engagement levels at 89 percent, two points higher than the previous survey's figure.[52] The company's next engagement survey found that the Manufacturing Employee Engagement Index was 84 percent and the non-manufacturing Employee Engagement Index was 81 percent. The overall Employee Engagement Index was 83 percent. According to *MD&DI*, the overall Employee Engagement Index was 75 percent for the "Top 25% Benchmark", and 70 percent for the "Global Industry Benchmark" (Refer to Box I for employee engagement at Edwards). According to the company, employees gave high marks to the statement, "I believe in the values of Edwards Lifesciences" in the survey.[53]

Box I

Employee Engagement at Edwards Lifesciences

More than 92 percent of Edwards employees (i.e., more than 6,200) around the world participated in the company's survey to find out the company's Employee Engagement Index. According to *MD&DI*, the Employee Engagement Index was arrived at from employee responses to queries that could be summarized under the four items given here:

- Overall, I am extremely satisfied with Edwards Lifesciences as a place to work. (Satisfaction)
- I rarely think about looking for a new job with another company. (Commitment/Loyalty)
- I would gladly refer a good friend or family member to Edwards Lifesciences for employment. (Advocacy/Referral)
- I am proud to work for Edwards Lifesciences. (Pride)

Adapted from Sherrie Conroy, "Edwards Lifesciences: A Passion for Patients," MD&DI, November 2009.

The company made certain changes to its talent management program every year to make it more efficient. For instance, in 2006, Edwards hired SuccessFactors[54] to help it integrate the various tools that it used for talent management. Through this, the company brought employee development, succession planning, and performance reviews and objectives under one system.[55]

[51] "Hearts and Minds," LX *Briefing*, Volume 2, Issue 7, July 2007 (Retreived from www.astd.org/NR/rdonlyres/0758EDC8-B968-439F-9132-319946C9860D/13863/LXB_July07B.pdf)

[52] Rob Reindl, "Growing Talent at Edwards Lifesciences," *Training & Development*, February 2007.

[53] Sherrie Conroy, "Edwards Lifesciences: A Passion for Patients," *MD&DI*, November 2009.

[54] SuccessFactors is one of the leading providers of software solutions for talent management.

[55] Gina Ruiz, "Hiring for the Intangibles," www.workforce.com, March 2007.

RESULTS

While it was difficult to draw a direct correlation between the talent management process in a company and its performance, experts felt that research in the past had suggested that such strategic approaches to talent management helped companies' financial performance. Experts felt that organizations that effectively identified, assessed, and developed high-potential employees usually reaped stronger financial returns in the long run. They felt that Edwards was an example of this.[56] They praised Edward's talent management processes. They pointed out that identifying critical positions enabled companies to put their resources in the right areas. "Companies have been prioritizing customers for centuries, placing emphasis on high-value customers with repeat-spending habits. Much like a single high-value customer can make or break a business, so too can a limited number of positions,"[57] said John Sullivan[58]. Experts felt that identifying the critical jobs also helped the company ensure that the strategic priorities laid down by the company were being met at the operational level. This increased its chances of success.

Industry observers felt that Edwards had done very well in the extremely competitive medical technology sector. Its saw a consistent rise in its revenues and net incomes **(**Refer to Table for Edward's net sales and net incomes: 2004-2008). The company's stock too performed well, reaching US$50 by early 2007. By November 2009, the company's stock was hovering around the US$90 mark (Refer to Exhibit III for Edwards's stock chart). A Morgan Joseph[59] analyst said, "Shares of EW have traded between 2.3x-3.1x over the past two years, which is in line with the peer comp group range of 0.9x-5.3x. We believe Edwards is a high-quality mid-cap growth name that deserves a premium valuation because of its better than average growth prospects, but that the shares are fairly valued at present."[60] Experts felt that Edwards was able to maintain its position in the market despite there being much larger players, such as Medtronic, Inc.[61], Johnson & Johnson[62], and Boston Scientific Corp.[63,64]

Experts felt that Edwards's talent pool gave it a competitive advantage. Over the years, the company had also earned a number of awards and accolades (Refer to Exhibit IV for a list of awards and accolades given to Edwards). This included the 2007 *Optimus Award* award. Edwards was declared the 2007 *Optimus Award*[65] winner for 'Competitive Advantage'. The award was presented to organizations that had developed a program to help create or maintain a competitive edge over competitors. Earlier in August 2006, Edwards's succession planning best practices were

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[56] Lee Simmons, "Finding and Keeping Your Best People: Tools for Identifying, Assessing, and Developing High-potential Employees," www.apqc.org, 2007.

[57] Todd Henneman, "The Jobs You Can't Do Without," *Workforce Management*, December 12, 2005.

[58] John Sullivan is a consultant and management professor at San Francisco State University. He was formerly the chief talent officer of Agilent Technologies, and author of the book *Rethinking Strategic HR.*

[59] Morgan Joseph & Co. Inc. is a full service investment banking firm.

[60] "Morgan Joseph Initiates Coverage on Edwards Lifesciences (EW) with a Hold; High-Quality Mid-Cap Growth Name," www.streetinsider.com, November 18, 2009.

[61] Medtronic, Inc., headquartered in Minneapolis, Minnesota, USA, is one of the leading medical technology companies. Its revenue for the year 2008 was US$14.6 billion.

[62] Johnson & Johnson, headquartered in New Brunswick, New Jersey, USA, is one of the world's largest healthcare and pharmaceutical companies. Its revenue for the year 2008 was US$63.75 billion.

[63] Boston Scientific Corp., headquartered in Natick, Massachusetts, USA, is one of the leading medical technology companies. Its revenue for the year 2008 was US$8.05 billion.

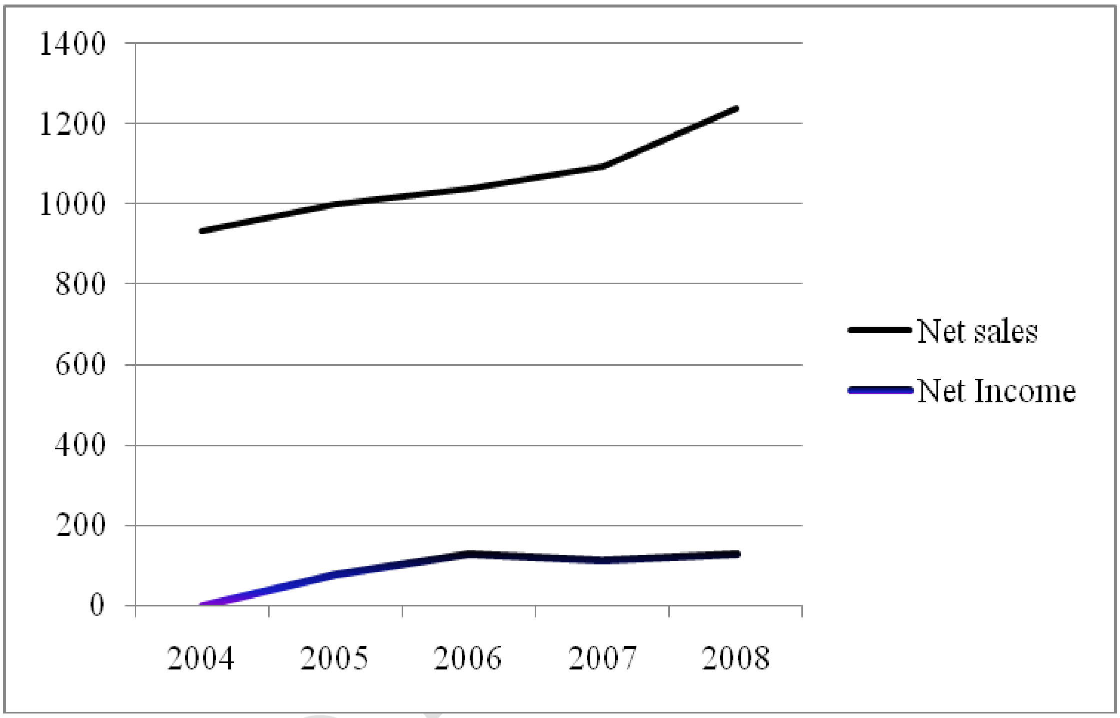
[64] Tony Bingham and Pat Galagan, "Finding the Right Talent for Critical Jobs," *Training and Development,* February 2007.

[65] *Optimus Awards* are presented each year by *Workforce Management* (a HR-focused magazine) to recognize workforce-management initiatives that achieve business results for the organization.

showcased in a Workforce Performance Solutions Magazine succession planning webinar. "By participating in this webinar, Edwards Lifesciences is providing a tremendous learning opportunity for any company that is thinking about or in the process of introducing succession planning into their organization… The company's vision, strategic thinking, and thoughtful use of market leading technology will serve as a gold standard for global performance and talent management implementations,"[66] said Stacey Epstein, SuccessFactors' Senior Director of Marketing Communications.

Table I

Edwards Lifesciences' Net Sales and Net Income: 2004-2008



(in millions)	2004	2005	2006	2007	2008
Net sales	931.5	997.9	1,037.00	1,091.10	1,237.70
Net Income	1.7	79.3	130.5	113	128.9

Source: www.edwards.com

LOOKING AHEAD

As Edwards's revenues and stock prices grew and it continued to come out with innovative products, it attracted the attention of more and more analysts. Kristin Stewart, a senior analyst at Credit Suisse[67], said, "One company that I like at the present time is Edwards Lifesciences. It's more of a mid-cap cardiovascular company. They are developing a new product; it's called the transcatheter heart valve. They are selling it in Europe and are in clinical trials in the United States. It's really one of the largest areas of new innovation. I think transcatheter heart valves can certainly be the next big thing in medical devices. It could be a multi-billion-dollar market

[66] "SuccessFactors? Customer, Edwards Lifesciences, Featured in Workforce Performance Solutions? Succession Planning Webinar," www.successfactors.com, July 28, 2006.

[67] The Credit Suisse Group is a leading financial services company, headquartered in Zurich, Switzerland.

opportunity for a company of that size; that is very significant. These valves can really drive accelerating top- and bottom-line growth....Edwards Lifesciences would be clearly one of the leaders in innovation obviously at the present time."[68]

As of November 2009, Mussallem had drawn up an aggressive growth strategy that was powered by talent in key positions. He said, "We are tracking above the 10% rate … and would expect that to continue. I do not think Wall Street will be disappointed."[69]

[68] Sherrie Conroy, "Edwards Lifesciences: A Passion for Patients," *MD&DI*, November 2009.

[69] Vita Reed, "Edwards Sees 10%-Plus Sales Growth in 2010," *Orange County Business Journal*, November 11, 2009.

Exhibit I

Edwards Lifesciences' Key Financials: 2006-2008

(in US$ millions, except per share data)	**2008**	**2007**	**2006**
Net sales	1,237.7	1,091.1	1,037.0
Cost of good sold	419.6	378.2	373.6
Gross profit	818.1	712.9	663.4
SG&A expenses	480.6	418.0	376.0
R&D expenses	139.2	122.3	114.2
Special charges (gains), net	25.1	23.3	(4.5)
Interest expense	7.2	9.1	10.5
Interest income	(6.1)	(7.7)	(7.8)
Other expense (income), net	7.7	(1.9)	2.7
Income before provision for income taxes	164.4	149.8	172.3
Provisions for income taxes	35.5	36.8	41.8
Net Income	128.9	113.0	130.5
Earnings per share			
Basic	2.31	1.97	2.23
Diluted	2.19	1.87	2.10
Weighted-average number of common shares outstanding:			
Basic	55.8	57.3	58.5
Diluted	59.6	62.7	63.9

Source: Edwards, Annual Report 2008.

Exhibit II

Edwards Lifesciences' Credo

At Edwards Lifesciences, we are dedicated to providing innovative solutions for people fighting cardiovascular disease.

Through our actions, we will become trusted partners with customers, colleagues, and patients — creating a community unified in its mission to improve the quality of life around the world. Our results will benefit customers, patients, employees, and shareholders.

We will celebrate our successes, thrive on discovery, and continually expand our boundaries. We will act boldly, decisively, and with determination on behalf of people fighting cardiovascular disease.

Helping Patients is Our Life's Work, and Life is Now.

Source: www.edwards.com/sharedpages/credo.htm

Exhibit III

Edwards Lifesciences Ten-year Stock Chart

Source: www.nasdaq.com

Exhibit IV

Some Awards and Recognition for Edwards Lifesciences

July 2007	Edwards won the Orange County American Production and Inventory Control Society (APICS) 'Company of the Year Award' for excellence in operations management.
June 2007	Edwards's Puerto Rico facility received the '2006 Safety Achievement Award' from the Puerto Rico Manufacturing Association.
June 2005 to June 2007	For three years in a row, Edwards received the Gold Award for the 'Best Online Annual Report' from the National Investor Relations Institute of Orange County.
May 2007	Mussallem received the 'Outstanding Public Company CEO Award' at the 14th Annual High-Tech Innovation Awards, presented by the Orange County and Inland Empire Council of the AeA. In addition to this, the company's product Edwards FloTrac Sensor earned finalist honors in the medical devices category at this event.
May 1994 to May 2007	California Integrated Waste Management Board recognized Edwards each year for the company's commitment to reducing waste.
March 2007	Edwards won the 'Competitive Advantage Award' at the 2007 Optimus Awards presented by *Workforce Management*.
March 2007	Edwards won the 'Radio-Frequency Identification (RFID) Excellence in Business Awards' for Excellence in RFID Implementation.
June 2006	Edwards received the Gold Award for the 'Best Financial Section of the Annual Report' from the National Investor Relations Institute of Orange County.
March 2006	Mussallem received the 'Advocate of the Year Award' from the UC Irvine Alumni Association.
June 2005	Edwards's investor relations department received an honorable mention as one of the best overall investor relations programs in the US (small cap).
March 2005	The Forum for Corporate Directors awarded Mussallem with the '2005 Director of the Year for Corporate Growth'.

**The list is not exhaustive.*

Adapted from www.edwards.com

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17. **"SuccessFactors? Customer, Edwards Lifesciences, Featured in Workforce Performance Solutions? Succession Planning Webinar,"** www.successfactors.com, July 28, 2006.
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