

PRESENTERS:

Jay Conger, Henry Kravis Chaired Professor of Leadership Studies, Claremont McKenna College, California

Stephen Kelly, Chief Human Resources Leadership Officer, Avanade

Tim Walker-Jones, Group Reward & Capability Director, Imperial Brands

Nick South, Partner, Boston Consulting Group

Facilitated by: **Gillian Pillans**, Research Director, CRF

The meeting was held at Church House on 30 June 2016 to discuss the report 'Rethinking Talent Management' authored by Jay Conger and Gillian Pillans.

Putting the talent management challenge in context

Nick South drew out various points from 3 recent BCG surveys – “Global Workforce Crisis”, “Decoding Global Talent”, and “Creating People Advantage”.

- For the first time in 200 years there is a decline in Europe’s working population.
- Some countries face severe shortages – e.g. Brazil, Germany, Russia, Poland, Italy, China, Japan.
- 38% of global employers report talent shortages (2015); 68% of global CEOs are concerned.
- In the UK, skills vacancies have doubled since 2009; 20% of skilled vacancies are now unfilled.
- Mobility – 64% of 200,000 individuals were willing to work abroad, although the rate varies considerably between countries. 21-30yr olds in the US and UK are particularly adventurous.
- The US and UK – especially New York and London – top the list as desirable places to work; however, the Brexit vote may affect the UK’s desirability.
- Companies attracting and retaining talent outperform well in terms of revenue and profit.

In attracting talent, employers should note the importance ascribed to

- gaining experience, employability and a good working environment; pay matters rather less
- leadership and managers’ ability to hold good performance and development conversations.

"How might technology advances impact the talent shortage?" Nick’s view is that AI and robotics **will** reduce some skilled jobs, but not at the ‘top end’ – those who design and lead.

"Are there any new TM techniques to note?" Gillian said CRF’s research found that good practices have changed little over 15-20 years. The main variable is employers’ ability to provide a great performance and development culture. However, technology offers new angles, e.g. gamification.

The rise and fall of talent management

Numerous surveys echo the low confidence of CEOs in the state of talent management (TM). For example only 20% of board members (2013 survey) and CRF members (2016) rate their TM well.

Jay Conger’s analysis is that this is due to continued legacy thinking.

- Core practices were built for an era of relative stability, led by pioneering work starting in the 1950s and ‘60s at AT&T and GE – and in the UK, the Civil Service, ICI, Boots and Unilever.
- However, the original tenets of practices such as workforce and succession planning have been successively challenged by three waves of change since those times.

Today’s environment is one of organisations that have been de-layered, globalised and increasingly virtualised. Strategy time horizons are shortening as the future becomes harder to predict.



Commitment to long-term employment and even full-time workforces has shrunk correspondingly. This trend is amplified by cycles of recession and recovery, mergers and acquisitions, increased automation and geo-political risks.

On the supply side, talent is now mobile and networked. Some prefer freelance and contract work – others are forced to accept it. Employability and great work experiences are sought. Younger employees have to put up with internship to get on the ladder. Both young and old have to be flexible and learn to re-skill. Linked-In has helped to democratise and 'socialise' executive recruiting, and people need to develop their personal 'brands'.

Assumptions of the 1950s	Assumptions today
<ul style="list-style-type: none"> • The organisation is responsible for your career • Well defined career paths based on tenure and performance • Reviews, assessments, job postings, projects and training are the tools • Grow talent from 'within' • We can plan our future talent needs 	<ul style="list-style-type: none"> • You are responsible for your career • Deliver on performance and be opportunistic • Experiences elsewhere make you more attractive • Future talent needs cannot be met internally • We can rely on 'outsourcing' to meet emerging needs

Jay observes mixed messages. There are fine words about commitment to people and talent, but the amount of investment in development is shrinking, and is increasingly focused on the roughly 5% of identified 'high potentials' (HIPOs) – an understandable 'what about me' reaction from the 95% may be one reason why TM rates poorly. With de-layering comes the loss of valuable development roles – for example, country manager jobs tend to disappear when global 'lines of business' predominate.

Companies cannot assume people will move when they want – the old 'ex-pat' model is increasingly unworkable. The orientation of younger talent to move varies – dual career couples and commitment to particular communities further weaken the orientation to commit to corporate interests.

Employers also face increased diversity pressures to enhance their value proposition, including making it easier to step on and off the 'ladder' without being unduly penalised – an issue for men as well as women. "Again, I see more rhetoric than reality", commented Jay.

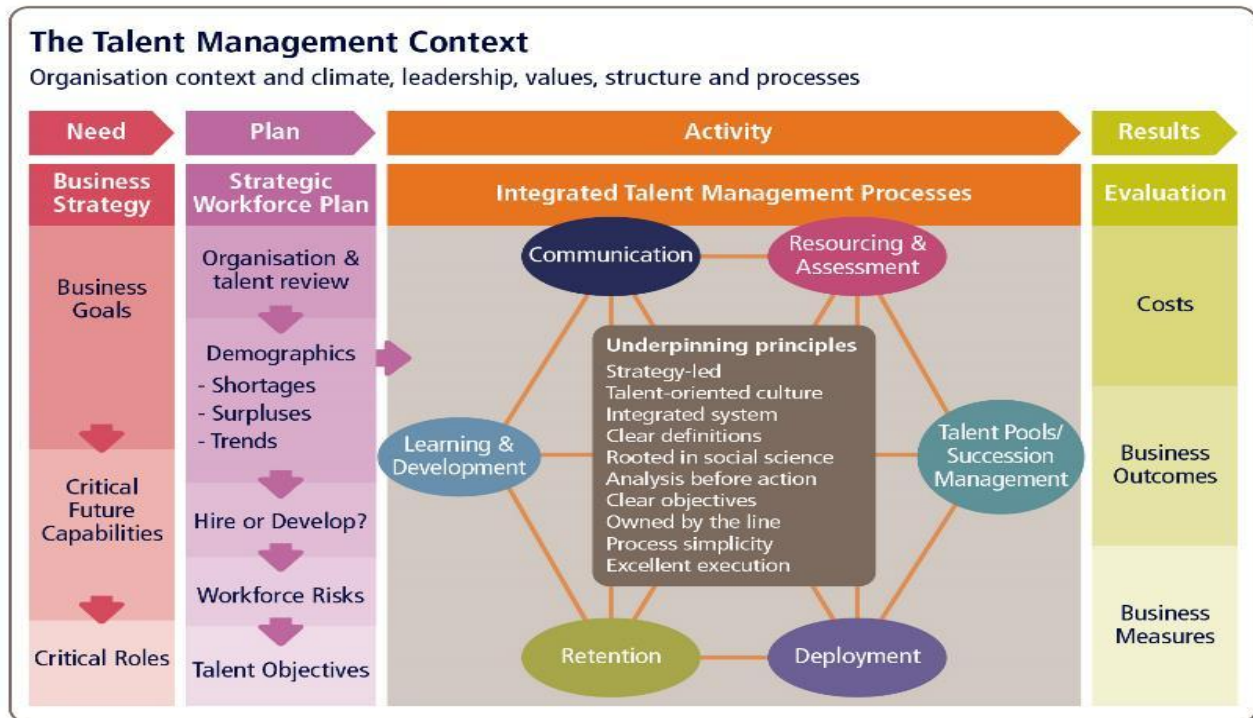
Restoring vitality for a new era

"TM as a whole needs re-imagining", Jay concludes. To do this, we must first recognise what has, and has not, changed.

What has not changed	What has changed
<ul style="list-style-type: none"> • Employees want recognition, fair pay, support, development, opportunities and community • Organisations need high calibre leadership and specialists; talent to match opportunities and threats; engagement, commitment and flexibility 	<ul style="list-style-type: none"> • More dynamic and opportunistic • Employee-owned careers • Process light • Data-driven and technology-enabled • More transparent

In an era of social media, organisational brands and leadership behaviour are under the spotlight as never before. And thus so is the quality of people management – perspectives shared at Glassdoor and Vault.com count for far more than what companies put on their website. Already it is clear that 'bosses' are starting to be judged in the same way – how prepared are they? Jay offered this challenge - "how many of you are re-conceiving HR systems as apps?!"

In an interconnected world, TM needs to be systemic. The CRF report proposes an integrated model. This should work as a learning loop – from *needs* identification through *planning*, then *delivery* and *evaluation* of results – and back to re-assessing needs. If there are faults in the system, talented people will quickly hold leaders and HR to account, and ‘check out’ if repair is not swiftly effected.



Leaders and line managers are the ‘owners’

Effective TM will not embed unless leaders take ownership of the ‘system’ and line managers own the ‘delivery’. In achieving this, both they and HR often need to address long-standing attitudinal and prioritisation issues.

- Boards and Executive teams must recognise TM as critical to their organisation’s future. Many boards spend disproportionate time on the remuneration and succession of just one position – the CEO. Meanwhile the CFO gets 35-40% of ‘airtime’ – at the expense of HR, technology etc.
- Managers at all levels need to embrace people management as a core business activity, on a par with – and indeed interconnected with – making sales, addressing quality, accomplishing tasks, effecting change etc.
- HR must ensure the business case for prioritising talent is powerful – and kept fresh – and build the understanding, confidence, capability and desire to create a talent-friendly environment.

Jay estimates that only 20 out of 500 top CEOs are fully engaged in driving talent management. Whether delegated to HR or elsewhere, this automatically downgrades TM as a priority. Ownership is only achieved when leaders and managers are fully involved in designing, reviewing and maintaining the system – and when they are primarily accountable for its success. The more this is an ‘HR’ rather than a management process, the less likely that is.

What is meant by ‘talent’?

Shared understanding and sensitive use of the word ‘talent’ is necessary to avoid doing more harm than good. Focusing on critical roles is sensible, given scarce resources and the importance of recognising real value. Yet wise organisations also work hard to ensure that everyone feels valued, and is enabled to succeed and give of their best – there is no favourites’ club. Fast development paths should not become elitist, talent pools need to be porous. People and circumstances change – but clear, honest and regular two-way conversations are critical in achieving accurate assessment and mutual trust.

HR needs to be the expert guide and facilitator that management wants to involve, rather than offloads responsibilities to. This starts with engaging the board and top team – first establishing the business case for prioritising talent issues, and ensuring a robust understanding of TM essentials; thereafter providing insightful ‘talent intelligence’ about the organisation and its competitors/comparators, and ensuring they constantly ask themselves ‘what are the talent implications of our direction and decisions?’

While appreciating the complexities, HR needs to keep the process simple for ‘the line’ – make it easy and clearly valuable to each executive, from CEO to front-line supervisor. For senior executives, who should endeavour to be role models, HR should be a trusted facilitator, through

- linking talent to their personal agendas
- building their confidence through appropriate support, feedback and coaching
- providing data on where TM is making a real difference
- ensuring they have active roles in development activities.

Managers in general should be selected, assessed and rewarded on performance and skills as people developers. That is hardly a new idea, but too few organisations have had the strength of purpose to tackle this central issue in developing leadership quality and achieving lasting organisational health.

In every respect, HR needs to re-inforce the understanding that TM is a business process, in the language that is used and the way that it operates. Avoid HR ‘jargon’, and link what is done at all times to strategic objectives and desired business outcomes.

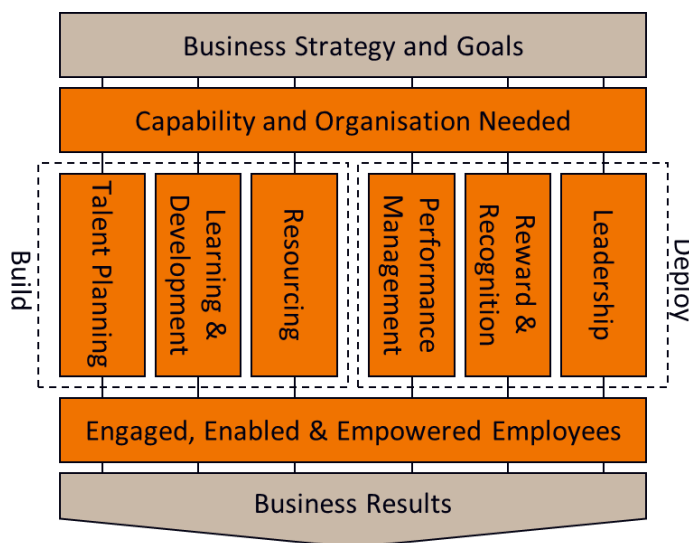
Discussion points

- Many organisations are investing millions in new integrated IT systems that enable ‘self-service’ for managers and employers, just as they access on-line services as consumers. However the potential advantages self-service offers specifically in addressing TM issues will be lost if managers are not helped to take ownership, and HR learns how to let go.
- What particular **technology advances** make a significant difference to TM? Certainly new analytical tools are on offer – provided managers want and know how to use them, and HR has first ensured that the data sources are robust. New tools to support development activities can be powerful – particularly gaming software. But the real issue is how they are used, and creating the right leadership and cultural context.
- **Transparency** is a widespread issue in TM. Many organisations still do not let people know whether they are in talent pools or not. A root cause is lack of trust in the capability of managers to have effective conversations. However this compounds the problem, as mistrust and misunderstanding are generated by lack of openness. Organisational maturity is only possible by tackling the problem at source.
- **“I don’t have time for that”**. Examples quoted of organisations taking positive action to enhance the quality of people managers included Whitbread, now in its second year of bonusing managers on their TM performance; and P&G, where all executives must undertake mentoring and coaching.

Two case studies were presented where key elements of the CRF model are exemplified.

TM at Imperial Brands – Tim Walker-Jones

The company is facing up to constant change and challenge, in a contracting sector with fierce competition. Innovation and cost minimisation are critical, and so is attracting and retaining talent. In overhauling its talent approach, facing up to the need for different kinds of leaders, Imperial has developed an integrated and holistic model. However, managers need help to play their part.



- Being clear about 'talent' – Imperial had a quite binary system, deeming people 'talent or not'. Managers overestimated 'critical talent', arriving at an unrealistic aggregate of 25%, and tending to include all senior roles. "We had to re-educate about segmentation and making choices."
- The next challenge is clarifying 'talent for what'. "We use simple language to help them make the connection with business imperatives, and to re-focus on 3-5 years' time – not just the conventional 'ready now and tomorrow'. It requires more imagining – jobs will be very different."
- Identifying critical roles for the future – building talent is of little use unless it is deployed to maximise performance, over time. Put the best in these roles, with clear expectations and success measures; be ruthless about removing blockers; align rewards with your talent goals.
- TM must be a leadership accountability. This now directly impacts manager pay and prospects. It must also be led from the top – there are now regular reviews and updates, facilitated by HR.
- The 'talent deal' must be clearly articulated, and underpinned by development processes that have been re-thought to meet future business needs. Development planning has also been overhauled – again, starting at the top, where standards are often quite variable.

About Imperial Brands – the 4th largest global tobacco company, Imperial employs 34,600 employees, operates in 160 markets, and made £3.1b profit in the last financial year.

Tim described some specific recent initiatives.

- Defining 'critical experiences' for talent and senior roles. Additionally identifying development opportunities wherever possible – sponsored projects, using business travel to enrich experience.
- Mentor match – new software (based on dating website algorithms) that make it easy for managers to take accountability, for both conventional and reverse mentoring.
- Democratisation – a 72-hour webjam for all employees to discuss capability, leadership and careers. "No one person has all the answers. This gives us massively rich data, as well as being a hugely engaging experience and encouraging the concept of self-management of development."

TM at Avanade – Stephen Kelly

Avanade's number one business issue is people – attracting, retaining and developing them. "People build brands, and brands build business."

- Avanade must compete for the best young IT specialists against better known companies such as Google, Nordstrom, Boeing and Microsoft, and still sustain 20% growth p.a. “We use our own talent to advertise ourselves.”
- It is a highly networked company – virtual management is the norm. This means working even harder to sustain an attractive culture, building on its vision to be a leading digital innovator.
- In order to adapt to the realities of the advanced technology market and employment of millennials, Avanade has created a structure of 25 different global talent communities.

About Avanade - founded in 2000 by Accenture and Microsoft, Avanade helps mid to large size organisations make best use of Microsoft technology. Headquartered in Seattle, it already has 30,000 employees in 23 locations. In addition, it employs ‘Associates’ outside those locations, such that there are now over 60,000 ‘Avanaders’. The company anticipates doubling in size by 2020.

Thus talent is a core pre-occupation for the organisation’s leadership.

- The top team meets 4 times a year for 2.5 days – the agenda is 50% about people.
- This includes discussion of all senior positions, and reviewing everyone in strategic/core roles (pool of 1000) – how many have ready-now successors, who’s ready to move etc.? ‘Developing your successor’ is the second most important topic in an executive’s performance review.
- Other priorities include investing in and communicating the employer brand; enhancing the candidate experience; and fostering diversity (the technology sector is still predominantly male) – recruits’ gender is not revealed to managers prior to a hiring decision.
- Each business area’s talent scorecard is reviewed bi-monthly. “We measure potential and alignment to the brand, and we balance assessment of performance **and** behaviour.”
- Executives have three years in post and then must move to a new role – “this stops people getting stale or frustrated, stimulates new ideas and energy, and spreads knowledge.”
- “The managers’ role is to meet immediate goals; as CHRO, I am building for tomorrow.”

Managers have primary accountability for people, not HR. However, HR has been focusing on improving the quality of conversations, especially about development. “We now have a good standard of conversation at senior level – we’ve not lost anyone in the last 3 years. Although we occasionally manage people out where the organisation is growing faster than the individual.”

There are always things to improve. For example, putting a CV on the system used to take 3 hours – now it takes 90 seconds, using an app. And next year ‘retention’ will feature in executive scorecards, linked to incentivisation. “We aim to be at the forefront in building analytics, big data, gamification and AI into the way we work and learn. We are driving change, not chasing it.”

Notes authored by Andrew Lambert