

WHAT IS THIS BOOK ABOUT?

This book is aimed at three different types of readers – first, a Chief Executive, Division or Function Head who wants to develop the managerial talent in his or her business.

Many Chief Executives find that when there is a job opening because a person retires, leaves or is let go, they can only think of a handful of names internally and none of them seems to fit the bill. Therefore, when there is a vacancy, you may need to go outside, hire expensive headhunters, spend 6 months searching for the right candidates and, in the end, take a risk on an unknown person who is not familiar with the culture of the organisation and who you hope will be able to do a good job.

Alternatively, if you had a systematic talent management process in place, then you would have been able to anticipate this course of events. You and your direct reports would have identified senior executives with the right potential to fill a variety of key jobs and you would have developed and nurtured that

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potential so that candidates were available internally when the time came.

The second type of reader for this book is the Head of Human Resources or the person who is already responsible for talent management in an organisation. Talent management is a new field and most Human Resource professionals who do this type of work were, only a few years ago, responsible for Learning & Development or were HR generalists looking after a broad array of topics. While you, as an HR executive, may by now have developed a great deal of experience in the talent management area, this book will still provide a much broader array of input from the experience of leading businesses in the USA and the UK about what they have done in this area. The book provides actual quotes from Heads of Human Resources describing their experience and concerns. It also includes specific tools and describes key processes that are used by large businesses to identify, develop and manage their senior executive talent. These tools may not necessarily fit your requirements. They will, however, provide a framework that you can compare to what you are doing and, thereby, enable you to create even more effective talent management processes in your organisation.

The third audience for this book is you, the reader. As a senior executive, you know by now that no one will manage your career unless you do so yourself. Many organisations have started to put in place talent management processes. These are designed to help your boss and you to identify what you are capable of, to assess your suitability for more senior positions, to help you to build on your current strengths and to reduce the negative impact of your weaknesses. They should also help to identify possible job opportunities within the company that will enable you to stretch your capability and to take on larger and larger challenges.

All this is excellent, where it does exist. But, as you will see from our examples and interviews conducted in many leading organisations, even the best businesses are still far from being perfect in these areas.

If you want to further your career and utilise the best resources that your organisation has to offer, then you need to educate yourself about what is available and also to encourage your organisation to use a broad array of tools to help you to develop. This is a win–win situation since you can help the organisation to develop its talent and, thereby, to reduce the need to recruit externally, while at the same time helping yourself to develop the most fruitful long-term career path. Achieving this win–win objective will happen when you understand what can be done in the talent management field and what the best organisations are actually doing today. This will help you to become an ‘educated consumer’ of talent management services. It will enable you to get the most out of what is available and improve the quality of existing practices.

The material in this book is based on my experience, and that of my partners in Hydrogen Talent Ltd. Hydrogen was founded as a sister company to Oxygen: a boutique executive search firm which has a significant number of large businesses as clients. It was founded by partners who left large search firms in order to be able to work with clients more closely.

As executive search consultants we have seen our clients become more concerned with the quality of their existing executive teams. We have been asked to conduct a number of benchmarking studies, comparing the quality of internal executive teams to what is available in the marketplace. We have also recruited for a number of talent management roles for large corporations that have, for the first time, appointed a full-time executive to oversee this critical area.

As part of these initiatives we started to work in conjunction with business psychologists, such as myself, in order to ensure that we have the depth of professional expertise required to conduct senior executive assessment, benchmarking and development assignments. The growing focus on this area led us to create a new venture – Hydrogen – which is focused on the development of executive talent.

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In many ways, the developments that we have seen are a reflection of an overall trend in the business environment. While the economy is generally positive, there is still a great deal of pressure on businesses, including very well-established ones, to improve their performance. This pressure tends to translate into a focus on the Chief Executive and the senior executive team, and an increased need to ensure that they have the leadership capabilities required to compete in the marketplace.

From a Human Resource perspective, this focus on executive talent represents an expansion beyond the traditional Training & Development input that tends to focus on entry level staff and on junior and middle management. The new focus is on key executives who are in positions of significant influence. The Human Resource (or Human Capital) function is increasingly asked to develop means to assess senior executive capability, examine their performance and potential objectively, help senior executives to understand their development needs and, thereby, ensure that the business has the best players in pivotal executive positions.

Since talent management is a developing area for many organisations, there is still a lack of consensus about what is involved and a variety of approaches have been adopted. A number of our clients have asked us about what we see in the marketplace and what would represent best practice. Most are aware of the GE model but that is generally viewed as an extreme approach, which does not necessarily fit the culture and style of many organisations.

I decided to write this book in order to convey a more coherent picture of what businesses are doing and what they are concerned with. The work is based on in-depth interviews that I conducted with Heads of Human Resources in large organisations such as: AXA and Aviva (in the insurance field), Allied Domecq (in the drinks business), Amerada Hess and Centrica (in the energy sector), Argos (a large retailer), Ashurst (a legal firm), BAA, BT, Barclays Bank, Compass (the world's largest caterer with over

400,000 employees worldwide), Dell computers, Electricity de France, PricewaterhouseCoopers and others.

When I approached our clients to talk about this talent management project and to see if they were available to be interviewed, the level of positive interest surprised me. Of the organisations that we approached, only one Head of Human Resources said that he could not participate at the time since they were going through significant restructuring (even though he would be interested in talking with us about the findings, once completed). I believe that the high level of interest in this area represents people's perceptions of the importance of talent management to the competitive positioning of their businesses. In my interviews I asked about:

- The importance of systematic talent management for the long-term success of their business.
- The objectives of their talent management efforts.
- How they assess and develop their senior management group.
- How they deal with the need to have effective succession for their current senior managers.
- How they engage in talent scouting in the external environment.
- How the business systematically identifies future executive talent in terms of objective assessment of future potential and development of that potential.
- The relationship between talent management and diversity in terms of enlarging the executive talent pools that are available within the business.
- The nature of internal and external branding that is associated with attracting promising executives from inside and outside the organisation.
- How hard or soft is the business in terms of facilitating talent development.
- How integrated are all of these talent management initiatives in terms of providing a coherent process.

In addition to these interview results, my partners and I have worked with a large number of international businesses to help them to improve the effectiveness of their talent management processes. That experience is summarised in this book. I have also interviewed a significant number of senior executives about their personal experience as ‘consumers’ of talent management processes in their respective organisations. What they say will help us to understand the expectations that senior executives in diverse businesses have from talent management efforts.

This book is also based on the professional literature that summarises what we know about talent management and its implications for business effectiveness. Appendix 2 includes brief abstracts of key books in the area. When reviewing articles in professional journals I found that some of the key topics have been the subject of significant investigation while others are less prevalent. The topic of succession management is presented by Guinn (2000), Huang (2001), Kakabadse and Kakabadse (2001), Byham (2002), Behn et al. (2005), Cantor (2005), Clutterbuck (2005) and Sambrook (2005). Their findings are incorporated in Chapter 6. It is interesting to note how recent all of these publications are, reflecting the emergence of talent management as a key business imperative. Other topics within the field have been subject to significantly less research and the book includes their findings in the relevant chapters. Specifically, Hiltrop (1999), Pollitt (2005) and Stainton (2005) discuss the significance of talent management activities. Kransdorff (1996) reviews the importance of on-boarding processes. Watkin (2003) and Dulewicz and Herbert (1999) discuss the importance of competencies in reviewing executive talent. Approaches to executive development as part of talent management efforts are presented by van der Sluis-den Dikken and Hoeksema (2001) and by Mighty and Ashton (2003). Executive career development is the focus for Hall (1999), Atkinson (2002) and Crawshaw (2006). Finally, the concept of an employer brand is a focus of research for Backhaus and Tikoo (2004).

There are a number of definitions of talent management in the literature and I chose one that I felt was appropriate for this book. I did not wish to adopt an approach where all employees are considered 'talented' (even though they are in many different ways). Otherwise, talent management becomes an umbrella term for all internal and external resourcing, as well as Training & Development and Performance Management (which would make it almost synonymous with Human Resource Management). For our purposes, therefore, talent management is defined as:

An integrated set of corporate initiatives aimed at improving the calibre, availability and flexible utilisation of exceptionally capable (high potential) employees who can have a disproportionate impact on business performance. While these processes should be integrated in the 'regular' Human Resource management processes, talent management processes are designed to ensure that the business improves its competitive advantage through the effective utilisation of a small number of exceptional individuals in key leadership positions.

All of my work in the talent management area points to the fact that there is no one right answer or approach to achieving the desired objectives. Different organisational cultures with different levels of commitment, at different stages of development and within different business environments, produce a variety of specific approaches that match their particular circumstances.

In this regard the book examines the range of corporate approaches to handling the issues involved. My purpose is to give you, the reader, a map of the area, so that you can compare what your business is doing and identify other possible approaches that can augment your own current efforts.

My discussions have highlighted the fact that talent management is a new area for many organisations. A number of senior executives in very large businesses were candid in admitting that they have done little in certain areas and that they are just starting on this journey. The systematic management of executive talent is

a key strategic initiative for most large corporations. The information presented throughout this book summarises the key activities and concerns of large businesses, mostly in the USA and the UK, that are focused around the identification, development and effective utilisation of executive talent. As an overview, the following paragraphs provide an executive summary of the main points.

Importance. Most of the organisations concerned viewed talent management to be one of their key strategic priorities. Competitive environments where talented executives are in short supply, plus the need to continue to grow their business, were seen as the main drivers for these initiatives. Most activities are focused on identifying talented executives early, developing their capability and ‘utilising’ them as corporate resources instead of allowing them to be slowed down by local considerations within individual business units.

Objectives. There was a wide range of objectives for talent management initiatives implemented by these businesses. The main ones focused on developing the best top teams in their competitive business environment, finding good internal successors for key jobs, enabling cross-fertilisation between business divisions, retaining talent through career opportunities, enlarging the internal talent pool through a focus on diverse employee populations, and building line management ownership of the need to have the best players as a key for future business success.

Developing senior executives. Most of our sample organisations were focusing significant efforts on developing their three top tiers of executives. The more sophisticated approaches included the use of external objective assessment of potential to augment the performance ratings that came from line managers. The data tends to be used to identify key strengths and areas for development with follow-up activities either tailored to individual needs

or forming a part of a senior development programme usually implemented with the help of a business school. The key difficulties were around breaking divisional/business unit boundaries and creating real exposure for the best executives across the group.

Managing succession. The businesses in my sample tended to have an annual process (sometimes with a half-year follow-up to review progress on key action points and discuss problems). The main difficulty was in preventing a ‘tick box’ approach and ensuring a robust discussion of internal candidates and what needs to be done to help them to grow (versus always going outside while ‘allowing’ very lenient assessment of internal capability gaps).

External talent scouting. None of the businesses in my sample engaged in systematic external talent scouting. A number do this on an ad hoc basis and a few develop a talent ‘bench’ to be used for managing acquisitions or to address natural executive turnover. A small number of organisations are starting to initiate activities in this area, especially around executives from ‘diverse’ backgrounds, where a shortage of experienced candidates is already causing difficulties.

‘Feeder’ populations. Most of the organisations in my sample have systematic initiatives focusing on the early identification and development of talented managers who can be fast-tracked into executive positions. ‘Regular’ performance management processes tend to be used to identify high-calibre candidates and assessment centres provide objective data on potential. Development programmes (sometimes managed internally and sometimes through business schools) at different management levels seem to be the key to facilitating networking and ensuring a common base of knowledge. Most of these activities are initiated ‘bottom up’ and there is a concern about the lack of mobility across business units.

Diversity and talent management. Most of my interviewees look at diversity as a concern in terms of the size of the talent pool from which to draw corporate executives. The lack of female and minority candidates for senior positions is viewed as a block for the development of truly high-calibre senior teams. Key activities in these areas focus on research to understand what is preventing successful career development, input to senior executives to open their minds to a broader base of experience that could still be appropriate for key executive positions and planned networking to facilitate access.

Branding executive talent requirements. A number of the companies in my sample are heavily involved in branding their employer proposition for their general recruitment efforts. Only a few are already engaged in thinking through their proposition for executive talent development and in using that, externally and internally, to raise awareness about the kinds of people who can succeed in their business and about the career development opportunities that are open to the right people.

Being 'hard' or 'soft' on talent. Most of the executives in these organisations see their businesses as being on the 'soft' side and not having an 'up or out' culture. They did report, however, a trend toward more pressure on performance and less tolerance of a lack of performance at senior executive levels. Highly talented executives are viewed as being in very short supply. Organisations seem to be 'tolerant' of solid players and do not feel that they can have the luxury of insisting on talent (meaning the potential for taking on larger jobs in the future) as a criterion for maintaining a long-term career.

Integration of talent management initiatives. Most Heads of Human Resources agree that it is highly desirable to present an integrated set of corporate initiatives so that executives can under-

stand how the various processes support the need to have the best players in key executive positions. Many of the talent management initiatives are already in place at my sample businesses and the real challenge is to integrate them into a coherent picture that includes reward and performance management together with the softer side of things.

Current state of play. The experience of the businesses in my sample enables us to generalise about the state of talent management initiatives in the USA and the UK. The data suggests that, while most organisations consider this to be a critical area to enable future growth, there is still significant scope for development. The basic Human Resource processes are in place in most organisations (performance management, succession planning, identification of high-potential individuals at junior and middle levels, training programme input, individual coaching etc.). On the other hand, there seems to be a degree of hesitation to put in place what is really required in order to have a bench of truly capable, ‘edgy’, assertive executives who are available to take on significant opportunities for business expansion. We seem to be missing:

- Real rigour to ensure that only high-potential executives occupy key corporate roles.
- A clear definition of what is required in terms of capability and breadth of experience in order to be able to occupy key executive positions.
- Objective assessment of current strengths and weaknesses of those that are in key executive positions as well as those that are nominated by their managers as having high potential.
- Strong and transparent career management processes that ensure that high-potential executives get the breadth of experience that is really required at the top (and, thereby, break business unit and functional boundaries).

- A system where senior executives receive ‘feedback with consequences’ around their strengths and development needs.
- Real recognition of the need to establish diversity at the top, not as an ethical issue but as a true business requirement.
- Feedback from the most talented executives about how they can be better ‘utilised’.

These challenges are stated within the general context of businesses recognising the need for change and investing significantly more in talent management initiatives. There is, therefore, room for optimism that in the next few years we will see a continuing trend to ‘harden’ talent management practices and, thereby, to improve the quality of leadership at the top.

You may want to read this book in one go, following the order of the chapters here. Alternatively, I suggest that you start by reading Chapter 2, which highlights the importance of talent management initiatives and Chapter 3, which provides an overview of key processes in this area. These chapters will also highlight the key concepts provided in the book, and thereby enable you to have a conceptual framework through which it will be easier to understand everything that comes later.

You may then want to ‘jump around’ and go to those chapters that address your immediate needs. This book is very practical in its orientation and each chapter should help you to see what others are doing and to review the tools that help them to do things well. Some readers may want, for example, to focus on issues around the senior executive group. Chapter 5 describes how talent management processes apply to that population, which in many organisations does not receive any developmental input since they were considered to be beyond the need for development.

Other readers may want to jump directly to Chapter 8 and focus on what leading-edge organisations are doing to identify

young executive talent, help these people to develop their capability and then facilitate their rapid career progression throughout the business.

Alternatively, you may want to jump directly to Chapter 17 and focus on your own career development and how talent management processes within your own organisation can be used to leverage your own rate of growth.

Regardless of the path that you, as the reader, choose to take to best utilise the information that is available in this book, you will find along the way both direct quotes describing how others approach key issues as well as concrete tools to work with.

The following brief chapter descriptions provide the menu that will help you taste what is available here:

Chapter 2: The importance that large businesses attribute to the systematic management of executive talent. What can you do in your organisation to assess the importance of this topic for the future success of your business? How do you convince your top team about the importance of managing executive talent systematically?

Chapter 3: What is involved in the systematic management of executive talent? What are the key steps in implementing an effective process? This is the overview and key concepts chapter.

Chapter 4: Focuses on using strategic business objectives to drive talent management efforts. How does your business strategy define requirements for executive talent and what needs to be done to focus on that?

Chapter 5: Is focused on talent management in critical jobs. We usually think of executive talent as a personal characteristic but this chapter describes why the process should start by looking at key jobs.

Chapter 6: How do organisations identify possible successors for the current senior executive team? What needs to be put in place in order to ensure that realistic candidates are available internally instead of always having to engage executive search consultants to look outside?

Chapter 7: How do large businesses identify external executives who are exceptionally talented and can add to their team's capability? How do the concepts of 'bench strengths' and 'talent scouting' apply when building senior level executive capabilities?

Chapter 8: What is done by leading-edge businesses in order to identify young managers who have the long-term potential to become senior executives? How can we understand the different requirements for talent at each management level and use that to identify executive potential?

Chapter 9: Focused on career paths, this chapter discusses how organisations have changed and what needs to be done to map career paths systematically and help executives to choose what fits their potential and ambition.

Chapter 10: This chapter focuses on the development of executive capability. Once we have identified individuals with long-term potential, how do we help them to build on their strengths and reduce the negative impact of their weaknesses?

Chapter 11: Deals with breaking down silos and ensuring that executive talent can be developed and utilised beyond the boundaries of a single business Division or functional area.

Chapter 12: Diversity is an issue that has a significant impact on talent management. How can organisations ensure that their talent pools include a diverse population that enables them to benefit

from the range of potential available in the business and match the characteristics of their consumers?

Chapter 13: How do organisations create an awareness of the type of leading-edge executives that each business has and is looking for? How can that ‘executive brand’ be used to attract, develop and retain the kind of executive talent that is required for success?

Chapter 14: This chapter relates talent management to other Human Resource processes focusing on the need for integration in order to present a coherent process to client executives.

Chapter 15: This chapter focuses on talent management as it applies to ‘exceptional performers’. How do we identify, develop and motivate executives who may not have the potential to take on significantly larger jobs in the future but who are exceptionally capable in terms of their performance in their current jobs?

Chapter 16: A focus on what needs to be done to build support from the top of the organisation will ensure that talent management is viewed as a key business process and not just a bureaucratic Human Resource initiative.

Chapter 17: What can an ambitious individual executive learn from the talent management practices of leading-edge businesses? What should I look for in choosing a business that will further my career? How can I build my own brand and use available talent management processes in the business that I am working for to develop my capability and further my career?

It is now time to jump in and see what you can find. As stated earlier, I would recommend that you continue to read Chapter 2 and then develop your own path through the rest of the book.

