



WHITE PAPER: TALENT STRATEGY

Talent strategy for **real** businesses

The five 'pain points' that every talent professional should know about - and how to overcome them...



Contributors

Judith Bufton	Head of Learning and Development	Allianz Insurance
Louise Redmond	HR Director	Bank of England
Jeremy Nordberg	Director of Human Resources	BBC
Neil Coxon	Head of Resourcing and Training Strategy	BBC
Jose Martinez-Campos	Head of Organisation Development - Talent	British American Tobacco
Barry Dyer	Director of Group Organisational Development	BUPA
Claire Plumbley	HR Business Partner, GIS	CSC
Susan Chew	Director of Organisational Development	EDF Energy
Richard Wells	European VP, HR	Gate Gourmet
Julie Harding	Head of HR	HSBC
Kate Dee	Head of L&D	IPC Media
Anna Herko	OD Manager	Kingfisher Group
Annette Reid	Head of Talent, Norwich Union UK	Norwich Union
Mike Webster	Senior HR Business Partner	npower
Dale Haddon	Personnel Director	Parcelforce Worldwide
Laurence Barrett	Director of Group Resourcing & Development	Prudential
Steve Luckhurst	Personnel Director	QinetiQ
Debbie Moore	Director of Talent and Resourcing	Royal Mail
Karan Paige	Head of People	Somerfield
Jane Davies	HR Director of Spirit	The Spirit Group
Tanith Dodge	Group HR Director	WH Smith
Amanda Marsh	Head of HR Operations	Woolworths
Paul Mehra	Head of Talent Management	Zurich Assurance

Contents

Talent strategy - why should you care?

What IS talent strategy?

Pain point 1: linking talent strategy to the business strategy

Pain point 2: distinguishing between 'high potentials' and 'high performers'

Pain point 3: gaining the commitment of the line

Pain point 4: retaining and developing talent

Pain point 5: managing expectations

Bibliography and sources

Talent strategy - why should you care?

The appetite for effective talent management is growing vociferously. Organisations are increasingly examining the way they attract and develop talent as a primary source of competitive advantage.

New roles, new projects and new investment associated with talent management means that an overarching 'Talent Strategy' is needed to direct and guide this activity.

Here at Xancam, we have a keen interest in the whole topic of Talent Strategy. As a firm of commercially focused business psychologists, we are often called upon to assist our clients with attracting, identifying, developing, motivating and retaining the talent the business needs. We also support our clients to define and shape their talent strategy in a way that is truly joined up with business goals and direction.

Throughout this document we are using the term 'high potential'. As the reader will see from the research, this can be something of an emotive term, however we use it here as short hand to describe those people who are the target for significant extra or accelerated development to meet the organisation's strategic needs.

To find out exactly how major organisations are approaching the concept of talent strategy and high potentials, we sought the input of 76 senior professionals in the HR and Talent space. The research comprised both qualitative and quantitative responses.

The aim of this paper is to:

- share the advice and experiences of professionals in the talent arena
- provide you with some benchmark information on how other organisations approach this issue
- give ideas and inspiration that you can apply within your business context

What IS talent strategy?

What do we mean by 'Talent Strategy'?

We asked people what the term 'Talent Strategy' means to them. The responses were consistent, with most agreeing that a talent strategy is identified by the following features:

- It is linked to the business strategy
- It is geared to ensuring that the business has the people capability to meet its current and future needs
- It includes the processes of attracting, identifying, developing and retaining talent
- For most interviewees, there is a pronounced future focus and clear links with succession planning
- For some (but not all) it is about identifying and retaining those considered to be 'high potential' or future business leaders

Clearly defined and workable?

Within individual responses there was a fair degree of variation. For instance, for some organisations the talent strategy is clearly defined and documented, while for others the approach is rather less formal.

In the quantitative survey, less than half the respondents (49%) were able to 'agree' or 'strongly' agree with the statement 'Our talent strategy is well defined'. Additionally, 49% either 'agreed' or 'strongly agreed' that their talent strategy was supported by a workable implementation plan.

Talent strategy is something that is concrete; it is part of our plan"

Tanith Dodge, W H Smith

"We have a formal plan in place which is agreed by senior management. The plan enables us to achieve our objectives by having a coordinated and uniform approach throughout the business"

Paul Mehra, Zurich Assurance

Integration, integration, integration!

Over half the respondents saw scope to make the individual elements of the talent strategy (e.g. assessment, development, performance management) much more integrated with one another:

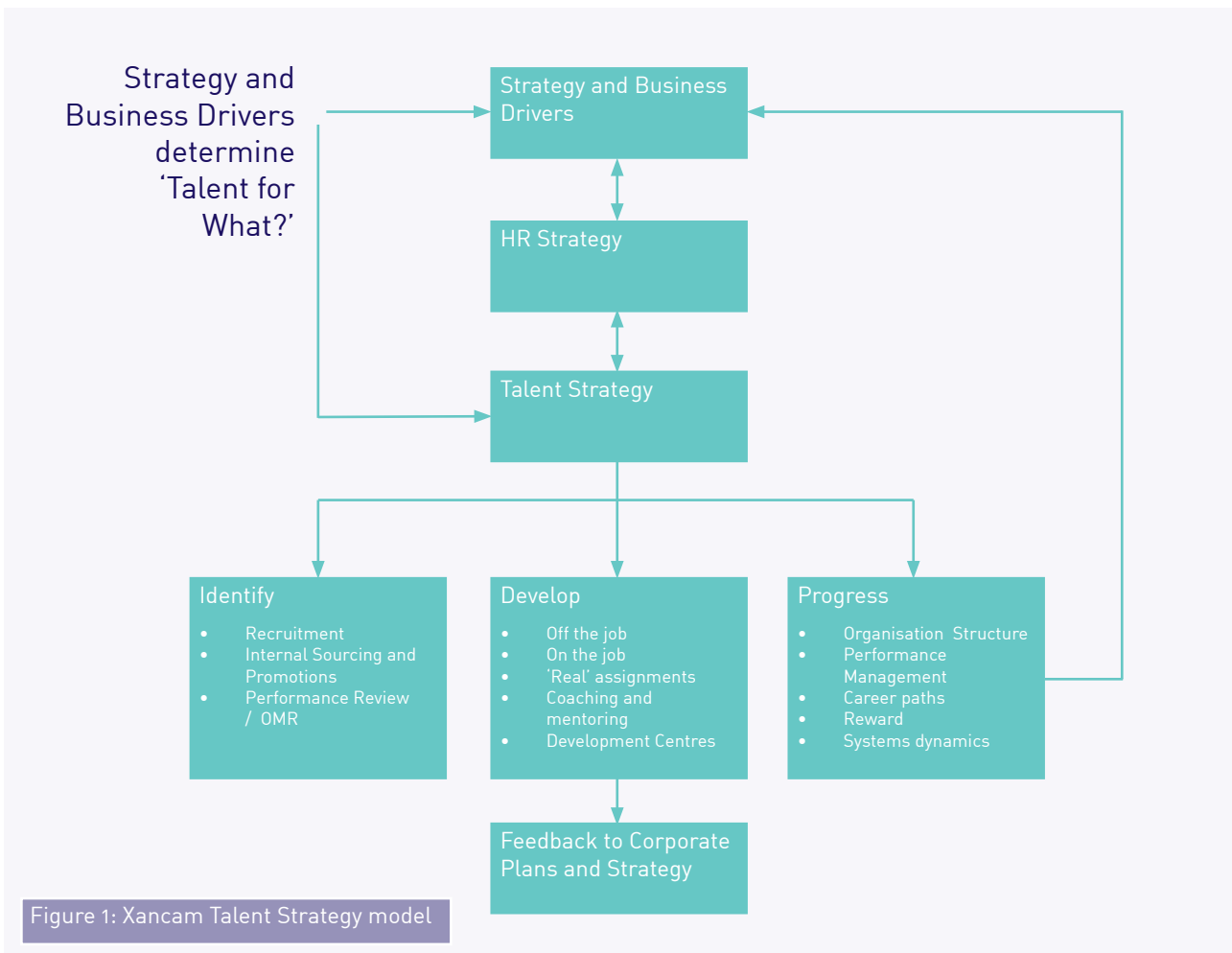
"People would say we do a lot of things that are to do with talent; a bit of measurement, some succession planning, some focused development...."

"We have done a lot of activities that could be called talent, but they are not joined up and not action orientated. The talent strategy is trying to join it all together and create something that is outcome focused and sustainable"

However for some of our respondents, the integration is well on plan:

"Our Talent Strategy is an embedded part of a broader people strategy which has five elements:

- get the right people in
- build and reward performance



- grow a strong pipeline
- develop credible successors
- develop an organisation that works"

- 'coaching' cultures; attitudes in relation to performance, progression and potential
- organisational – the right systems and structures to attract, develop and retain talent

Laurence Barrett, Prudential

"We use a simple model to describe talent strategy which integrates three main approaches: HR planning, Leadership Development and Attraction & Selection of talent. Most organisations tend to focus on one aspect"

Anna Herko, Kingfisher plc

In our conception of the flow of Talent Strategy (see figure 1), we identify the need for clear links with business strategy and with overall HR strategy. Within this overall flow, the activities that comprise the talent strategy need to be integrated as a coherent whole and to operate at 3 distinct levels:

- individual – interventions such as assessment, coaching, personal development, performance review
- cultural – balance of 'performance' and

The results of our survey show that there is broad based agreement on what talent strategy means, and that it is important for the business. However, not all (about half in our survey) can operationalise their strategy in a satisfactory way. So what is the gap between what our senior HR people want to do and what they can do?

So where's the pain?

Perhaps unsurprisingly, our interviewees identified a number of 'pain points' that are common in creating and implementing an effective talent strategy. In essence, while most respondents are aware of what a good talent strategy should ideally look like, in practice the road to implementation is paved with many obstacles!

Pain point 1: linking talent strategy to business strategy

The link is important

From the quantitative research, 53% of respondents either 'agreed' or 'strongly agreed' with the statement 'There is a clear link between talent strategy and the business strategy' and perhaps surprisingly, a total of 24% either 'disagreed' or 'strongly disagreed' with this statement.

The majority of interviewees, though, identified that an effective talent strategy needs to have a clear linkage to the business strategy:

"It should be very much part of an overall approach to managing your human resources and therefore it comes out of a clear business strategy and organisation plan"

Jeremy Nordberg, BBC

"It is indivisible – it is part of the business strategy... We have five strategic initiatives we are running and this is one of them"

Richard Wells, Gate Gourmet

"We will review what changes to commercial strategy, operations strategy and HR strategy there have been and whether we are equipped to deliver the plan in terms of talent"

Dale Haddon, Parcolforce Worldwide

But it is not always easy to achieve

However, for some of our interviewees, creating a strong link between the business strategy and talent strategy is not completely straightforward:

"Linking the business strategy and talent strategy is a tough one! The problem is that talent can be seen as a discrete piece of work and it's assumed you don't need to know what the longer term business strategy is"

Anna Herko, Kingfisher plc

"What I have tried to get from our Executive is, looking forward over the next 5 or 10 years, what are we likely to be involved with, how is the competitive environment going to change, so that if I present you with a person who had ticks in all these boxes, will they be the right person to fill a top 50 position? Making that link is new thinking"

Susan Chew, EDF Energy

"[The link] is not as close as purists would want it to be, but it works for us"

Stephen Luckhurst, QinetiQ

The commitment of the board

The survey revealed that a strong driver of connecting business strategy and talent strategy lies very much in gaining the Board's appreciation of and commitment to talent strategy as a vital component of business success:

"You have to get buy in from the top team. If your board and the top team do not have this on their radar screens, you might as well pack up and not bother"

Tanith Dodge, W H Smith

Other research reports that business leaders understand the importance of talent as a commercial issue. In 2006, 4,500 leaders from around the world cited improving and leveraging talent as their second most important priority¹, while the Economist Intelligence Unit reported that global business leaders cite talent as their personal responsibility, accounting for up to 50% of their time².

“The talent agenda is supported by top management and is consistently quoted by our leaders as one of the core elements of the business strategy”

Paul Mehra, Zurich Assurance

“Our key executives see it as a top priority”

Annette Reid, Norwich Union

However, as the comments from EDF Energy and Kingfisher (above) attest, making the link between future strategic developments and talent is indeed ‘new thinking’ for some board members.

British American Tobacco (BAT) illustrate a board’s commitment to talent as a serious commercial issue. ‘Talent’ is one of BAT’s six key priorities, and fully endorsed as such by the Management Board. Individual businesses (and their General Managers) are routinely audited and rewarded in terms of their achievement of KPIs relating to talent:

“[The Management Board]... wanted to pick six key areas where they could focus attention across the business. Talent was one of these six key areas... The key is that we have the Management Board fully committed”

Jose Martinez-Campos, BAT

Making the business case

Key to engaging the commitment of the Board is HR’s ability to create a strong business case for focusing on Talent.

“Part of that whole talent strategy is really making sure that it is ROI savvy; you have got a real return on investment”

Tanith Dodge, W H Smith

Recent research by the CIPD concluded that to gain the commitment of the Board, HR and talent professionals need to be at the heart of business strategy and delivery by being more knowledgeable of and more closely engaged in the wider business of the organisation³, and in his book on business-focused Human Resource Management, Alan Price adds: “Convincing the CEO that a strategic partnership with HR is crucial to the future success of the business is one of the toughest challenges facing HR practitioners”⁴.

In BAT’s case the commercial argument was straightforward; if they neglected to identify emerging talent, then the levels of ‘churn’ in some of the company’s most senior roles would be unacceptably high, with consequent business disruption and the prospect of significant implications for the bottom line⁵.

Direction of the relationship

Practically all comments described a ‘top-down’ relationship, between business strategy or objectives and talent strategy:

“Our talent strategy starts with understanding the business strategy and looks at actively engaging talent in ways to support and achieve the business objectives”

Claire Plumbley, CSC

“It is understanding the strategic challenges of what the Company wants to achieve and then looking at what people need to achieve this..... The talent strategy needs to deliver the leaders required to achieve the business strategy”

Debbie Moore, Royal Mail

“It is a clear link to enabling the business strategy with the people we have got”

Annette Reid, Norwich Union

Interestingly, we saw rather less indication of a relationship in the opposite direction – where HR professionals use their unique knowledge of talent and emerging trends to impact how business strategy and objectives are shaped. However, this is a direction of influence that has long been sought by the HR community. Ever since ‘Strategic HRM’ replaced traditional ‘Personnel Management’ there have been calls for the HR function to operate as a ‘true strategic partner’ on the Board (Schuler & Jackson, 2001)⁶.

Now, more than ever, organisations compete and succeed on the basis of ‘intangible’ factors such as knowledge management, innovation and flexibility (Grant 2004)⁷ and these characteristics originate within its people and their leadership. HR and talent professionals are strongly placed to play a crucial role in contributing to the strategic direction of the business. Perhaps a prime example relates to the emergence of new demographic trends. For example, one current concern is that the different values espoused by Generations X and Y (Codrington and Grant-Marshall)⁸ are causing new challenges for organisations in terms of what it takes to attract, motivate and retain talent in these age groups.

Talent professionals are uniquely placed to comment on these areas and to impact strategy accordingly. However, this can only be achieved on an informed basis so that now more than ever, talent professionals' knowledge of, and engagement with, the wider business agenda is essential.

Key points

- talent strategy is most effective when there is a clear linkage to business strategy
- gaining the Board's commitment to and appreciation of talent as a business issue drives this link
- HR and talent practitioners need to make a clear business case for talent strategy and demonstrate that they are ROI savvy
- HR and talent professionals can gain traction with their strategies by being knowledgeable about and closely engaged in the wider business of the organisation
- there is a need for both 'top down' and 'bottom up' relationships between business and talent strategy.

Pain point 2: distinguishing between 'high potentials' and 'high performers'

For many (but, as we shall see, by no means all) respondents, identifying those deemed to have significant future potential was seen as an important part of talent strategy. Historically, the research shows that organisations have often tended to interpret strong current or past performance as the best measure of future potential (Yapp 2005)¹⁰. However, many studies have shown that current performance and future potential are predicted by different factors and as such need to be measured and evaluated differently.

In the qualitative survey, 49% of respondents either 'agreed' or 'strongly agreed' with the statement 'We know who our high potentials are', while 28% either 'disagreed' or 'strongly disagreed' with this statement. The fact that not even half of all organisations surveyed are completely confident that they can identify their 'high potentials' with accuracy indicates the need for businesses to be more strongly acquainted with robust methods for identifying high potentials.

When asked to describe how they identify 'high potentials', responses were broadly grouped into the following categories:

1. Performance Focus - strong current (or recent) performance is used to indicate those with future potential
2. Potential Focus - future potential is recognised as distinctly different from current performance and is assessed using research-based models
3. Performance as 'Price of Entry' - high current performance and a strong track record are seen as the 'price of entry' for consideration as a high

potential - but not the sole indicator

4. Gap Analysis - potential is defined as the 'gap' between an individual's current level of performance and the requirements at a more senior level
5. Grid - potential vs performance are measured as separate elements and indicated as such on a performance/ potential grid

Performance focus

A number of respondents reported that 'high potentials' are defined in terms of their performance, for instance via line manager review and perhaps balanced score card data on performance.

Some organisations like this 'performance focus' because the measurement of performance is seen as relatively clear and unambiguous as opposed to the more 'grey' area of potential.

However a performance focus has problems, not least because:

- future (or more senior) roles will make demands not readily observed in the person's current or past jobs
- businesses change over time and future leaders are likely to have very different requirements of them from those who are good today
- when line managers use performance to

make judgements about potential, their ratings do not show high levels of accuracy¹⁰

In general, the research consistently shows that gauging potential with reference to past or current performance alone is unlikely to distinguish those with significant future potential. While being good in the current role or level may be deemed necessary for consideration as a high potential (see below), there is now sufficient research to indicate that on its own it is not sufficient as a potential indicator. Simply put, an organisation's highest performers are not always those with the greatest future potential

Potential focus

Organisations using a 'potential focus' recognise that potential is a distinctly different quantity from past performance and therefore use criteria and assessment methods that are specifically designed to assess 'future potential':

"We worked with Xancam to develop our 'high potential differentiators'... we use them to assess graduates... we also use them at emerging management level and when selecting people on to our management development programmes"
Judith Bufton, Allianz Insurance

"We are piloting a model with a clear definition of potential. Performance is still important, but our new model also looks at the different elements of potential"
Annette Reid, Norwich Union

"To assess potential we have developed our own framework, building on several well established theoretical models"
Laurence Barrett, Prudential

'Potential for what?'

Put simply, there is no 'one size fits all' definition of 'potential'. Very importantly, definitions of 'potential' must always be couched in terms of the business' unique objectives, goals and future drivers. What constitutes 'leadership potential' in one organisation will be very different from what makes for potential in another.

Another critical factor in defining 'potential' relates to the organisational level for which potential is being judged. Xancam's work has identified that distinctly different characteristics indicate the potential to operate at these different leadership levels.

Performance as 'price of entry'

Some organisations recognise that while performance is not the best indicator of potential, it is nevertheless important to use strong current performance as a 'cut off' before individuals can be considered as 'high potential':

"We only count them if they are also performing in the job they are in"
Richard Wells, Gate Gourmet

"We are very clear with people who are being considered as 'high potentials' that the reason they are being invited into the process is because they are already good performers"
Debbie Moore, Royal Mail

In fact, none of the contributing organisations accepted a scenario where a less than good performer would be considered for future potential.

On the one hand, it is easy to see why organisations may be reluctant to reference a less than good performer in this way. On the other hand, businesses can run the risk of missing out on talented individuals who may have much to contribute to more senior roles, but who are perhaps under-stretched, and therefore not demonstrating high performance at their current level.

Gap analysis

This is the practice of assessing individuals against a set of more senior leadership competencies and identifying those with the smallest gap between their current performance and the more senior level as 'high potential'.

However, the size of the gap is not the true indicator of potential. An individual's capacity to close the gap between their current and the desired future level is the more important consideration. Research-based indicators such as learning agility, emotional agility and strategic agility, plus knowledge of the individual's drivers and motivations will give a stronger indication of their ability to close any development gaps.

Who would you choose?

In Figure 2 Person 'A' has a smaller gap between current and desired future performance, but Person 'B' has more overall growth potential - i.e. capacity to close the gap, and even grow beyond it.

A final issue with the 'Gap' approach is that often, 'potential' is judged by evaluating individuals against the current set

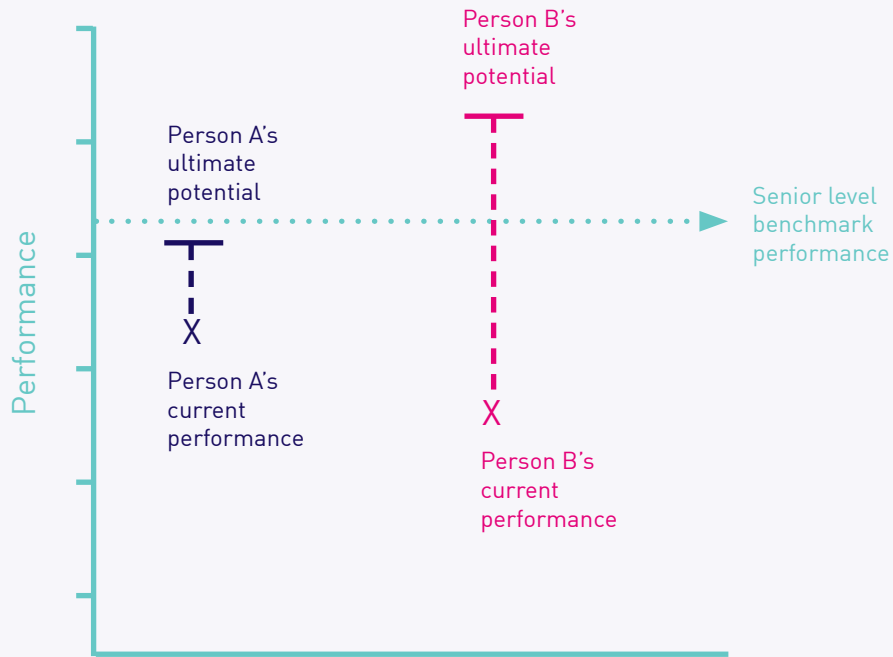


Figure 2: Who would you choose?

of Senior Leadership Capabilities. The problem with this is, that by the time the individual has realised his or her potential in the future, the business and its environment are likely to have moved on and the requirements of its leaders to have changed. For that reason, we advocate that potential indicators are (a) future focused – i.e. look ahead to what the business will require in the future and (b) that they seek the ‘lead indicators’ that will enable the individual to move from their current position to the desired position.

Grid

A number of organisations favour the potential-performance grid, where separate ratings of ‘performance’ and ‘potential’ are cross-referenced with one another to provide a visual representation of individuals or groups of people. Perhaps the most well-known example is the GE 9-Box Matrix.

“We have a matrix that has at the bottom corner, low potential, low performance and at the top, high potential, high performance. You can see instantly where people fit and it makes it very straightforward”
Neil Coxon, BBC

“We use a nine-box grid matrix and we plot people according to their performance and potential”
Paul Mehra, Zurich Assurance

A clear benefit of using the performance/potential matrix is that it focuses managers on distinguishing between these two dimensions – and the fact that they are qualitatively different. Secondly, it very visibly captures the various combinations of performance and potential, ensuring that individuals with less than high current performance but who may nevertheless have strong potential are not overlooked (as may be the risk with the ‘price of entry’ focus).

However, a potential drawback to the grid approach, is where potential is insufficiently well defined (and, as we have found, this can be quite commonly the case). Here there is a real risk that ratings of ‘potential’ may be subjective and therefore less than accurate. Both the BBC and Zurich recognise this possible pitfall and set specific criteria to help with the distinction:

“Performance is linked to your performance review and is fairly obvious. Potential is more complicated – it is about whether you have the ability to rise up a level and that comes down to ambition, credibility and capability”
Neil Coxon, BBC

“Performance is relatively easy to measure because everyone has set objectives and those who exceed these are seen to be high performers. Potential is more of a grey area, but we look at their motivation to learn, their propensity to take on new challenges, to volunteer.. as well as how well they interact with Zurich’s set of values”
Paul Mehra, Zurich Assurance

In addition to clear criteria, there is also recognition that managers need support in making accurate ratings of potential for the matrix:

“This involves education and training from HR to understand the talent matrix and where their employees fit”

Claire Plumbley & Sue Press, CSC

On balance, the ‘grid’ approach is a very impactful way of representing the performance/potential distinction visually. However its effectiveness depends on how clearly and accurately potential is defined and on the level of support and guidance that is given to managers in making this judgement.

Key points

- very different factors are associated with identifying ‘high performance’ as opposed to ‘high potential’
- less than half of those surveyed were confident that they know who their high potentials are
- organisations who use research-based models to assess potential are likely to make more accurate judgements
- ‘potential’ needs to be defined in terms of the organisation’s specific context and drivers – particularly as these are likely to change over time
- clear definitions of ‘potential’ and support for raters of potential are essential in securing accurate judgements of potential
- all respondents see good current performance as the ‘price of entry’ to be considered high potential; but may be missing out on some talent
- the performance-potential matrix is a useful visual tool, but must be supported by clear criteria to gauge potential

Pain point 3: gaining the commitment of the line

Line involvement makes the difference

When asked to state the most important success criterion of successfully implementing talent strategy, nearly 50% of all interviewees cited line manager buy in. The reality of talent strategy implementation is that line managers operationalise much of the plan – identifying new talent, coaching and engaging people, providing the resources for development and championing the spirit of talent strategy.

“How much effort and commitment you get out of the line managers makes the difference between success and failure of a talent strategy”

Julie Harding, HSBC

However, as much as they can be a support, line managers can also be a challenge:

“Line managers are one of the key challenges for the programme. We need to identify the good managers who we can trust our high potential people with”

Susan Chew, EDF Energy

Involvement is the key

A number of participants expressed the view that involving line managers in developing talent strategy from the outset is an important way of securing their commitment and its ultimate success. Jose Martinez-Campos of BAT, deliberately engaged a number of managers from across BAT's 180 business regions in shaping BAT's approach to talent:

“The most important thing was that the Talent Strategy was developed in conjunction with the line managers so they feel ownership of the strategy”

Jose Martinez-Campos, BAT

“If we cannot get the managers committed and get them to freely talk about people's potential, then it will not be a success”

Annette Reid, Norwich Union

Rachel Rose, Head of Talent at Fujitsu Services, points out some of the factors you should consider to ensure your talent strategy is as effective as possible:

1. Build the business case by starting at the top. Filter down level by level. Don't skip any steps
2. Talk in the language of the business
3. Explain what is in it for them – if they give up a good person, they might just get one back!
4. Deliberately plan the communication of your talent programme, not just the content

Rachel Rose, Fujitsu Services

Prudential have found that demonstrating tangible success and the benefits of a rigorous approach to talent wins line confidence and commitment:

“When we started I think there was an element of 'here we go, another HR thing....' We have built significant credibility through our rigour. Now the approach has been demonstrated, we are being asked to extend our work and build capability in local HR and line teams”

Laurence Barrett, Prudential

Focus on the bigger picture

Some respondents noted that a short-termism or a 'silo' mentality on the part of line managers can often block the effectiveness of talent strategies. In essence, a failure to see the bigger picture beyond this year's business cycle or the immediate pressures to deliver in ones' own area can render managers resistant to thinking as strategically as they may about bringing on talent:

"The challenge is in getting senior managers to think about anything other than today. There is a lot of short-termism. Managers... are suffering from the pressures of delivering today or at least delivering this financial year. Nobody in their right mind wants to lose the individual who is winning orders and increasing profits for them, so we have to challenge that"

Stephen Luckhurst, QinetiQ

"At the moment the attitude occasionally is 'I have got a good one – I am keeping them!' rather than 'I have got a good one – how can I best move them on and build their career?'"

Susan Chew, EDF Energy

"We had a recent incident where a senior person left due to lack of opportunity and yes, we had a vacant role that they would have liked and we would have liked them to do – but the information just hadn't been shared. This was a wake-up call to some managers."

Laurence Barrett, Prudential

As a possible solution, Rachel Rose recommends:

"Allow the 'nominating manager' to be someone other than the line manager to ensure that maverick managers do not hold back talent"

Rachel Rose, Fujitsu Services

In the case of Allianz Cornhill, Judith Bufton identifies that the Chief Executive can play a critical role in making clear to line managers the importance of their involvement in talent as an issue of strategic importance:

"Chief Executive support is critical. The organisation understands that talent management is about resourcing in the best interest of the company as a whole... otherwise there is a risk that managers do not consider the wider merits of allowing people to move cross-divisionally or seek development opportunities"

Judith Bufton, Allianz Insurance

- 1 in 3 organisations say that line managers do not take development seriously¹¹
- Fewer than 1 in 5 organisations reward their line managers for developing talent¹²

Commercially speaking

It is vital in gaining board commitment and enabling a clear link to business strategy, that when couching talent approaches, HR makes a clear business case for the activity and speaks in the language of the business.

In particular over-use of jargon or hackneyed phrases can be off-putting for managers; particularly if it is difficult for them to connect terms like 'engagement', 'bench-strength' and so on with commercial reality:

"It has to be a management initiative rather than HR strategy. If I had to persuade my peers that this is what we needed to do, then by definition, the thing would have failed"

Richard Wells, Gate Gourmet

Line managers need to appreciate that focusing on talent is not an HR-focused 'nice to do', but a critical part of their 'day job' in delivering commercial performance for the business:

"The line must recognise that they have a responsibility to know their people and ensure an effective pipeline of talent for their roles to safeguard the future of the business"

Laurence Barrett, Prudential

Several of our respondents observed the importance of retaining a commercial air by keeping the process and its communication very clear and simple:

"Make sure that it is not too complicated; that it is easy to understand and be very transparent with it"

Karan Paige, Somerfield

"It's got to be very simple and very grounded - many HR processes are often criticised for being very complicated. We have simplified our discussion of talent and succession."

Laurence Barrett, Prudential

Recent research on emerging preferences indicates a clear trend towards simplicity. While previously HR may have had a reputation for highly engineered approaches, those that are bureaucratic, complicated or over-engineered will simply fail to gain traction with managers in contemporary organisations. Increasingly, the emerging generation of managers and their direct reports will prefer approaches that are less reliant on paperwork and process, but where the emphasis is on the quality of the feedback and the discussion.

Key points

- The majority of respondents agree that line manager involvement can make or break the success of a talent strategy
- Actively involving line managers in developing and implementing talent strategy can help secure their commitment
- Use effective influencing tactics and demonstrate some early 'quick wins' to engage the line
- Support line managers to look beyond immediate operational issues and to focus on the bigger picture when considering talent

Pain point 4: retaining and developing talent

In a world where there is increasingly fierce competition for talent, the majority of those interviewed said that retaining talent is an issue of high importance for them. Furthermore, 57% of our quantitative survey either 'agreed' or 'strongly agreed' with the statement 'In our sector, other organisations are very aggressive in competing with us for top talent'. At the same time though, only 12% were able to 'agree' or 'strongly' disagree with the statement 'We have effective strategies and methods to retain top talent'. On the basis of this evidence alone, the case for identifying more effective approaches to retention is strong.

Clearly, the retention of talent is a major organisational issue, not least because of the significant investment that businesses make in identifying and subsequently developing their talent and the major role these people play in business delivery:

"Retention of key individuals is especially critical to us, because if we do not have the right people in the right roles, it could cost £100-£150k sales the next month and that in turn immediately impacts on advertising revenue. Few businesses have such instantaneous feedback"

Kate Dee, IPC Media

"[Retention is] hugely important because it represents a major investment in our future. If we allow our top talent to walk away, we are doing a disservice to shareholders if we lose that return on investment"

Stephen Luckhurst, QinetiQ

"It is critical we retain key talent, particularly successors in our big commercial functions (typically 2 levels below Board). These roles are accountable for developing our brands and managing relationships with our key customers"

Shaun O'Hara, Britvic

One argument is that a retention strategy in itself is not the answer; rather that the organisation's culture and approach should be created in such a way that retention simply does not become an issue:

"The problem with retention is when companies fall into denial, they talk about needing a 'retention strategy'. If the business is strong, the culture is good, people enjoy working there and you build people's careers, you do not need to worry about retention"

Laurence Barrett, Prudential

In the spirit of this idea, we identified some important factors that, if embedded into the business' culture and approach can enhance the probability of retaining talent.

Keep the dialogue going

In previous research on talent at Xancam, we identified that the importance of shared and open discussion regarding people's motives, values and aspirations is critical not only to identifying and developing talent, but to retaining it.

"You must get to the point when you say what is the journey each of those people is going on and are they getting something out of it – and is that of benefit to us and them?"

Dale Haddon, Parclforce Worldwide

Where organisations make assumptions about those designated as 'talent' (i.e. that they will naturally want to build their careers within the business, or even move onto the next role), and where they do little to check those assumptions, there is a real risk that the aspirations of talented individuals and of the business will gradually drift and become out of kilter. This is particularly so in the light of more recent trends in relation to mobility.

“The individual and the company [have to] explore career paths, opportunities and desire of where they want to go”
Mike Webster, npower

In addition, to maintaining regular dialogue, some respondents also saw the need to act quickly in the face of immediate threats:

“We meet with people at least once a year to understand their aspirations. If anyone regarded as talent is looking to leave us, senior management will get involved and we will try to dissuade them. It doesn’t always work but the important thing is that we will try”
Judith Bufton, Allianz Insurance

Accept that people will leave

However, another point of view expressed is to follow the path of least resistance – i.e. to acknowledge that nowadays, talent is a lot more mobile, people do not expect to have one job for life and that lifetime loyalty to one organisation is perhaps a thing of the past. Indeed, research indicates that ‘Generation Y’ employees (born from the mid 80s onwards) are predicted to have as many as 10 career changes over the course of their working life, with many choosing to retrain in completely different fields.

The ‘Human Capital’ argument espoused by Oliver Davenport⁹ argues that organisations can no longer see employees or talent as ‘assets’. Instead talented people are investors of ‘human capital’, which includes their time, energy, talent and motivation. As such they are free agents who make informed choices about where (and how heavily) they invest themselves. Therefore recognising the inevitability of mobility and approaching it constructively on a ‘the door is always open’ basis is an option favoured by some respondents:

“In recognition of how much more mobile talent is these days, we encourage exiting talent to leave us with the same grace with which they joined us – because they might return one day”
Julie Harding, HSBC

“Where people choose to leave they will say ‘what a great business, I built my career there’”
Laurence Barrett, Prudential

In some cases, respondents see the mobility of talent as the sign that they are a successful organisation. It

Top 6 motivators

According to Careers Research Forum, the top 6 motivators

1. Challenge
2. Recognition
3. Opportunity for personal learning and growth
4. ‘Fun’ culture, or one that individuals can identify with
5. Support through coaching, mentoring and counselling
6. A change to take risks and, up to a point, make mistakes

Source: Careers Research Forum, Research Paper: Effective Talent Management, Oct 2003

is about more than accepting mobility as inevitable, it is also seeing it as a positive thing for the individual and the business:

“Successful organisations obviously export talent and we are not scared to lose people, but if you can reach a position where you are not paranoid about losing your talent and you export it with good will, then it flows back to you”
Dale Haddon, Parclforce Worldwide

“Career progression and career management and development is one of the wonderful things that the BBC can offer. In the future, the BBC may encourage people to move in and out of the Independents and in and out of the BBC, rather than joining the BBC for life”
Jeremy Nordberg, BBC

Ultimately, though, even if organisations adopt this sanguine approach to the inevitability of mobility, having a back-up plan is important:

“Retaining talented people is vital, but it’s equally important to put a programme in place that identifies potential talent and helps develop those people, so that in the event of someone moving on, which is, of course, a reality all organisations face, there is a constant source of talented individuals ready to take on new challenges”

Paul Mehra, Zurich Assurance

Is development the answer?

Research has recently shown that of those people considering leaving their roles, 44% cited insufficient opportunities for development or career progress as the principal reason¹². We have also found in our previous research on the development of high potentials, that development opportunities are a significant incentive to attracting and retaining those considered as ‘talent’. To this end, the role of the line manager and the organisation overall in supporting and developing talent (as discussed previously) is pivotal to successful retention.

In one example, as a result of an intervention designed to identify people who might benefit from accelerated development, turnover in one critical department was reduced from a level that was causing serious operational problems to almost nothing. Of note is the fact that whether or not people were identified as ‘high potential’ they got great value out of the specific development that was identified for them personally, and were impressed by the investment that the organisation was prepared to make in them.

Interestingly, most respondents focused on development as an incentive far above reward:

“Within CSC, retention focuses more on opportunities – development, mentoring, coaching – than on monetary rewards”

Claire Plumbley, CSC

“Our reward strategy is very good and that helps...[but] the most important thing is that we are working with the managers and making them coaches and accountable for the development of talent”

Jose Martinez-Campos, BAT

But what kind of development works best?

In Xancam’s work on developing those identified as ‘talent’ we found that this population has very specific needs and requirements relative to the mainstream management population. In particular, those regarded as ‘talent’ have a preference for:

- exposure to and mentoring from the most senior people in the business
- individualised/ personally tailored development activities (as opposed to a ‘sheep dip’ programme)
- broad commercial exposure that increases their understanding of the business as whole
- chances to develop via ‘real’ business roles and tasks
- opportunities to prove themselves in high-profile, high-risk roles
- activities that continually expose and stimulate them; they are quick to get bored!

In general, this group tends to be rather less motivated by standard training courses or specific technical skills training for instance. Therefore organisations who recognise these factors are likely to put in place development programmes that are highly motivating for talented individuals and which, therefore, promote superior retention:

“Retention is discussed as a business issue and it is minimised through development, exposure to the Exec and involvement in specific business issues.”

Tanith Dodge, W H Smith

“We minimise the risk [of attrition] through feedback and discussions, being prepared to move people, to try them in new roles so they can extend their skills... We keep them interested and keep them developing”

Louise Redmond, Bank of England

Key points

- Retention of talent is seen as a serious business issue by most respondents, although less than 15% claim that they have effective methods to retain top talent
- The solution is not so much to create a specific 'retention strategy', but to put in place measures that make attrition far less likely
- Open and honest dialogue with talented people about their motives, aspirations and values is critical
- Accept that a proportion of talented individuals will inevitably leave... but make it easy for them to return
- Retain talented people with development opportunities and challenging roles – keep them interested and keep them developing

Pain point 5: managing expectations

One of the factors identified as pain point, both during the interviews and in the round-table discussion related to managing people's expectations with regard to being seen as 'talent' or 'high potential'. This pain point tends to be experienced as an issue most by organisations who have a specific focus on high potentials and future business leaders as an integral part of their talent strategy. However, increasingly employees will demand to have a clear and consistent understanding of what they have to do to get ahead, and will expect complete transparency in the process.

An inclusive approach

Most of the interviewees stated that theirs was an inclusive definition of talent strategy, where 'talent' embraces people at all levels in the business, and not just those considered to be 'high potential' or earmarked for senior business leadership roles:

"We have moved from a very narrow definition of talent, which was our traditional 'Hi Po' group, to a broader definition of talent pools throughout the organisation"

Sean O'Hara, Britvic

"All roles and functions are included... Each individual within the organisation has a development plan and our talent matrix includes key performers, emerging leaders, future stars and high potentials"

Clare Plumbley, CSC

"Everyone is included. We are creating a talent school for every team and every individual"

Karan Page, Somerfield

"We don't use the term 'talent'... It is part of the performance management review process, so there is an opportunity for any individual to be involved"

Kate Dee, IPC Media

Focus on 'High Potentials' & future business leaders

However, a substantial proportion of interviewees confirmed that they saw the focus of identifying those with high potential for future business leadership as the critical focus of their talent strategy. Even where 'talent strategy' was all inclusive, there was a tendency to target 'talent' activities most strongly at the more senior levels in the business.

"Although we support all our employees in developing their talents to achieve their full potential, we use the term 'talent management' [for] the high performing individuals with the potential to take on the most senior roles in the organisation"

Judith Bufton, Allianz Insurance

"The targets are for every one of the top 500 roles in the company, which includes every top team member of our most important operating companies"

Jose Martinez Campos, BAT

"Everyone has a talent, but we do look for the highest potential and the strongest performers"

Louise Redmond, Bank of England

“Ideally we would include everyone, but we tend to focus attention on the top 300 group”
Susan Chew, EDF Energy

While the majority of those focusing on leadership potential tended to occupy themselves at the more senior levels of the business, a smaller number of respondents made calls to look for future managerial talent by including individuals at sub-managerial levels.

“The big area we need to move into is the review of talent in our blue-collared workforce – our collection and delivery drivers. We are just starting [to require] managers to sit down with drivers and sorters twice a year and have a one to one”
Dale Haddon, Parforce Worldwide

“I am pushing for assessment of the most senior clerical roles which in turn will feed the pool of lower management”
Julie Harding, HSBC

To tell or not to tell?

A key theme that emerged from the interviews related to the issue of whether or not to be open about who is and who is not formally designated as ‘high potential’ or part of the talent pool.

“Some businesses fail by not being open enough... their sentiment is: ‘We do not share data because it is scary and if you tell people their true potential they might leave’. The paradox is that if we don’t tell someone they are not going to get the job until they do not get the job, they will leave anyway”
Laurence Barrett, Prudential

“There is a lot of nervousness in terms of labelling people as ‘high potential’”
Annette Reid, Norwich Union

Increasingly, recent trends are for organisations to be much more open and transparent in this regard than may have occurred traditionally – a theme strongly reflected by our interviewees.

“We tell our employees if they are high potentials and we tell them they are not too. We might lose them for that reason, but we prefer to be open and transparent with them”
Jose Martinez-Campos, BAT

Strong feedback skills are vital

However, interviewees also pointed to the difficulty of having honest conversations – and in particular referred to the importance of strong feedback skills:

“I strongly feel you need to be honest with people about their performance and their potential. It is a hard conversation to have, but you have to be completely open and honest”
Neil Coxon, BBC

“The feedback and management of expectations can make the difference between success and failure. There is an absolute skill in saying: ‘you are fantastic at the job you do, but you are not necessarily going any further’ and there is also a skill in saying: ‘you have been identified as someone that we want to progress in the future, but you are not there yet’”
Kate Dee, IPC Media

The importance of communications

Ultimately, the discussion at the round table agreed that while openness and transparency was important, it would only succeed if supported by clear and well planned communications. In particular, everybody should be aware of the opportunities that are open to them and of the criteria that are associated with being designated as ‘talent’:

“We have moved away from top secret frameworks in the background and we want to move towards a very publicly communicated ‘progression check list’ that shows, if you want to progress in the organisation, the things you need to think about. It is very simple, tangible and measurable”
Sean O’Hara, Britvic

Is there an issue with elitism?

One of the issues that was hotly discussed at the round table event related to whether publicly denoting a community of individuals as ‘talent’ or ‘high potential’ would give rise to elitism. Two problems were associated with this: firstly, that people not so designated may feel less valued or disenfranchised and secondly, that those so designated may assume that they are somehow ‘special’

and consequently allow their performance to dip, seek opportunities elsewhere or otherwise attempt to leverage their position within the business.

“As soon as you start to declare a group of people as high potential, there is a group of people who see they are not being regarded in that way.”

Judith Bufton, Allianz Insurance

“We have debated this... we [could] be seen to be creating a group of people different from the rest of the organisation, or .. they would become aware of their value and start to leverage inside the organisation or take it elsewhere”

Stephen Luckhurst, QinetiQ

Some interviewees were firmly of the opinion that labelling people as part of a ‘talent pool’ was not helpful:

“I am in the camp that says it is more about individual development and less about setting those people up as a community... it is much more credible than people being in and out”

Dale Haddon, Parforce Worldwide

While an alternative view was that sometimes, elitism is merely a fact of life and something that needs to be accepted with equanimity:

“There is nothing wrong with elitism, as long as the opportunity for people to come in and out of the talent pool is open to everybody”

Stephen Luckhurst, QinetiQ

Clearly, it is in every organisation’s best interest to have all of its people operating to their maximum potential as quickly as possible. Inevitably there will be differences in how far people will be able to go and how quickly they will be able to get there. Ultimately, though, our respondents agreed that while an organisation may take the decision publicly to designate certain individuals as ‘talent’ or ‘high potential’, it is important to provide appropriate opportunities for everybody in the business:

“We pride ourselves on the development and support that we provide to all our employees.... You don’t have to be in the high potential talent pool to have that support”

Judith Bufton, Allianz Insurance

“We are finding that there are groups of employees who don’t feel special because they are not identified as ‘talent’. We are looking at segmenting our employees... according to their needs. Then, we can put them in the most rewarding environment for them and make them feel valued”

Julie Harding, HSBC

Moving on and off the fast track

In reviewing a considerable body of research, we have identified that being ‘high potential’ is not a fixed state that remains invariant over one person’s lifetime or even career path. Instead, it can vary over time.

Firstly, we know that while certain characteristics in general tend to denote individuals with greater potential for further growth and career progression, these factors are also influenced heavily by changes in a person’s motives, values and aspirations – which can shift dramatically over time and in response to specific circumstances. Secondly, what is considered ‘high potential’ can vary significantly from one business context to another. Thus, a cadre designated ‘high potential’ by a company experiencing steady growth, may suddenly not be considered as potential business leaders if the company’s fortunes change, necessitating a very different style of leadership.

Most of our interviewees recognise the essentially fluid nature of ‘potential’ and incorporate this into their approach:

“Creating a generic statement that an individual is a particular talent.. or is not talent is counter-productive to the way we work. The system communicates that at the current snapshot of time this individual is operating above requirements”

Kate Dee, IPC Media

“People may one day be a high performer with high potential – and the next day they may not”

Neil Coxon, BBC

Organisations also saw the need to make some fairly tough pronouncements regarding an individual’s status as ‘talent’:

“If someone is not making it, they will be removed from the programme. It will not necessarily be a permanent removal, it will be more of a warning first and if they make positive changes they will be on the programme and we will help them out”

Susan Chew, EDF Energy

“Membership of the talent pool is not for ever... and coming out of the talent pool is not for ever either. People have been known to put themselves forward for assessment 12 or 18 months later and have moved back into the talent pool as a result”

Julie Harding, HSBC

It also goes without saying that by definition, an individual who is initially designated 'high potential' should ultimately reach their potential:

"You cannot remain [high potential] for the whole of your career. At some point you will have reached your potential organisationally"
Richard Wells, Gate Gourmet

Finally, some interviewees recognised that there are difficult conversations to be had when it is clear that an individual is unlikely to realise his or her potential:

"We have been less effective at facing into conversations when individuals do not realise their potential and 'come off the list'"
Sean O'Hara, Britvic

Is it for everyone?

In our research on high potential, we have identified that regardless of their skills, talents or underlying potential, for some individuals, progressing on an accelerated career path is simply not a high priority. A number of our interviewees recognised this and saw the importance of respecting and managing expectations for those who do not want to be considered fast-track:

"People who don't make the fast track are often very relieved. They think: 'One day I might end up in a role I could not do'. People are often very comfortable operating successfully and well in the job they are in"
Jeremy Nordberg, BBC

"Often it is by mutual agreement that this is not where they want to be at the moment. It is important that this is handled openly and sensibly to retain their motivation"
Clare Plumbley, CSC

"Some people will deselect themselves from this group. They will have a clear idea of why they are not top performers and will also have a clear understanding of why they do not want to be there either"
Paul Mehra, Zurich Assurance

Key points

- the majority of our sample agreed that it is best to be open and transparent with people about their status as 'talent'
- responses were divided as to whether it is necessary to openly declare a particular cadre as the 'talent pool' or whether to deal with people on an individual basis
- strong and transparent feedback skills are an essential part of the process – with the ability to deliver 'bad' as well as 'good' news
- elitism is a potential problem with designating selected individuals as 'talent' – but can often be managed by effective communications and tailoring development appropriately to suit the needs of different groups
- talent is not a fixed entity – people can move off and on the fast-track at different points in their career
- not everybody wishes to be regarded as talent! Being open about people's aspirations and allowing them to de-select themselves is important

Sources

1. 2005-6 Global Leadership Forecast, DDI
2. The CEO's role in talent management, Economist Intelligence Unit, May 2006
3. Fit for Business: Building a strategic HR function in the public sector, CIPD, 2005
4. Human Resource Management in a Business Context, Alan Price, 2003, Thompson Learning
5. Xancam Xpress, Winter 2005, www.xancam.co.uk
6. Strategic Human Resource Management, Schuler & Jackson, 2001, Oxford Blackwell
7. Contemporary Strategy Analysis, Grant, 2004, Blackwell Publishing
8. Mind the Gap, Codrington and Marshal, 2005, Penguin Putman
9. Human Capital: What it is and why people invest in it, Davenport, 1999
10. Chapter: High Potential Talent Assessment - Yapp, Grant and Lewis (Eds), Business Psychology in Practice, 2005, Whurr Publishers
11. CIPD Survey of Surveys, 2005
12. Xancam Xpress, Summer 2005, www.xancam.co.uk

Xancam Consulting Limited
Xancam House
88 High Street
Thame
Oxon OX9 3EH

Telephone: 01844 267910
Fax: 01844 267911
info@xancam.co.uk
www.xancam.co.uk

talent transformed

Xancam

