

HANSAR



Executive News

EDITORIAL

Talent is an elusive asset. In these difficult times people - both the talented ones working for someone else, and the less talented ones working for you - tend to stay put. And, on top of this, the economic realities make it difficult to justify a regular investment in seeking external talent.

So it's normal and correct that a lot of internal promotion takes place. The positive consequence of this is the motivation of staff, when they see that there are a lot of career opportunities in the company. Also, people promoted from within know and understand the corporate culture whilst an external recruit can only guess at it.

The downside is that, if internal promotion is prompted solely by budgetary considerations, this may mean that the company will end up with a ballast of less performing employees in key positions. This will slow the business down and, having lost momentum and missed market opportunities, the company will later be compelled to dump its 'ball-and-chain' contingent at considerable cost.

Business management is under pressure both because the market makes it hard to achieve acceptable results for shareholders, but also because of the more stringent governance procedures and attitudes that are emerging. Even so, some boards still go outside for the star CEO. Not unexpectedly, the success rate is about the same as in the past: only one out of five of those succeeds!

So is the ship in danger of sinking? Probably not, since leadership is much more circumstantial than a set of personal characteristics, as Harvard guru Rakesh Khurana points out: *certain* leaders will do well under *certain* conditions. Internally bred top talent may well turn out to do a really good job at the helm.

The answer to this management dilemma is talent management and development. And guess what? There isn't much of a budget allocated for this either! But some corporations do it well - and many others aspire to doing it just as well. HR has been developing this concept for some time now and organisations are getting better at it.

Because of its significance, Hansar recently organised a conference on talent management. We brought together the HR nos. 1 and 2 of thirty multinationals (almost all of them Fortune 500 companies) representing most industry sectors to discuss the pros and cons.

This issue of *Hansar Executive News* outlines some of the key elements of that discussion.

Managing your multinational talent

Do companies need to invest to ensure they have the right people not just today but further down the road?

For a company to be successful, the answer is yes, but investment comes in different forms and with varying intensity - so the answer inevitably depends on the company. Some, by the nature of their business, have very short time horizons whilst others try to see where they will be five years ahead. Some focus on organic and internal growth while others have a 'buy' strategy, feeling it necessary to invest in 'bench strength' because they want to "keep the keepers". But it is reassuring for management to know that there are good people in place, ready to step in when the time is right.

There are not many HR people who disagree with the conviction that managing and keeping talent is a complex task. Simplifying the process is the key to success. Yet the issue is not one of elegance or the level of complexity. It's about whether people use the process effectively or not.

This, of course, is a 'Catch 22' situation for the HR professional. He or she is aware of the tools available to the organisation, but the challenge is to find tools that will be acceptable to employees and create impact. Operational HR people are often the loudest voices calling for simplicity, yet they tend to identify themselves so strongly with their business partners that they forget to sell their ideas to them. The result is that many development tools often live out their days unloved in the HR

New research by *Harvard Business School's* Leadership Initiative project confirms the views of the Hansar seminar panellists: that the most important common characteristic of successful business leaders is the ability to understand and capitalise on the internal and external environment and current trends.

Talking about what he calls 'contextual intelligence' to a reporter from *The Boston Globe newspaper*, Harvard business administration professor Nitin Nohria commented: "There seems to be a very close relationship between context and business leaders. These are heroes for their time, not heroes for all time."

"But," he added, "If you're a board of directors searching for the next great business leader, beware choosing someone in the same mould of the person who was successful in the last epoch."

IN THIS ISSUE

Managing your Multinational Talent	1-2
Makes sense/Upbeat/Ticky Tacky/Management Research	2
Success/True Story/History	3
Hunting the 'hipo'	3
Hansar explained	3



MAKES SENSE

"A verbal contract isn't worth the paper it's written on."

Sam Goldwyn

UPBEAT (1)

"The pessimist may be right in the long run, but the optimist has a better time during the trip."

UPBEAT (2)

"The happiest people don't necessarily have the best of everything. They just make the best of everything."

TICKY TACKY ...

"Even a stopped clock is right twice a day. After some years it can boast of a long series of successes."

Marie von Ebner-Eschenbach

MANAGEMENT RESEARCH

"What I need is a list of specific unknown problems we will encounter."

department, whereas one needs to devise systems and mobilise cross-functional teams to activate the process.

So how do you anticipate your talent requirements five years from now in a dynamic and rapidly changing environment? And, how do you persuade your unit managers, who are driven by the bottom line, to invest time in developing their talent?

Releasing the potential

Inevitably the objectives underlying a talent management strategy will differ from one corporation to another. In one company, the aim may be to release the potential of everybody on the payroll. In this case, the organisation has to decide whether it wants to be an organisation of 'stars' with talented individuals, for example McKinsey, or a 'star' organisation such as Walmart, where the philosophy is to get the best out of everyone, unskilled workers included.

In the second case, the focus has to be at all the different levels in the organisation, especially those which offer the best return on training investment. Different development tools are required for different groups.

In reality, the situation is often different - with 20 per cent of employees (the 'talented' part) driving the rest. In such cases, should one focus on all employees or on this 20% who will bring the others along with them? Whilst talent management potentially concerns everyone, many companies concentrate on top performers, young high-potentials, senior business managers, executives and functional heads.

Most importantly, an effective talent management policy can only work with keen support from the CEO (and perhaps the corporate budget) and with passion from the HR department. In one company, the CEO went into every detail of talent management strategy: the perception among the HR people was first that it complicated their lives, but in the end it ensured the right impact. It's extremely difficult to cascade talent management programmes down the organisation if there isn't a strong mandate from the top. Passion within the HR team alone risks losing the connection with the business - and talent management becoming a means unto itself.

Another issue is how to align talent management procedures with other HR systems? Many HR professionals work in complex matrix organisations, so need to agree strategy at their level before presenting a case at executive level. This in itself can be a complex process: it may be necessary to introduce a concept to individual line managers before presenting it to the group as a whole. As one experienced HR manager puts it: "My executive team consists primarily of Anglo-Saxon males. It took me about a year to get them as individuals to agree to developing a strategy on diversity. Before that, I had done it the other way around, resulting in my instant crucifixion, especially with such an emotional topic." Some professionals believe that development of potential should be the operational managers' responsibility, but HR departments are often reluctant to relinquish this aspect of their role entirely.

Measuring the success

How does a company measure the success of its talent management policy? One company had the experience of introducing a 'people development' procedure that was partly a performance tool and partly a development tool. They found that their managers neglected the second aspect: there was no follow-up. So, the HR department kept a track of follow-up and started to measure managers on the percentage of dossiers that they actually completed. The target is now 70 per cent, and all follow-up is registered and reported to HR. The key is to make the measurement results visible, even if it sometimes smacks of 'policing and controlling'. Even better if the CEO presents the results...

In any talent management strategy, it is essential that the processes and criteria for promotion and pay increases are transparent. This makes it easier for employees to relate to the system and feel confident that they can build a career: it also makes it more difficult for managers to hide behind the process! In some companies the system is entirely on-line, so there is no scope for 'rogue behaviour'. At GE, which is well known for its sophisticated HR management procedures, the process is forcefully driven from the top and there are only four rating levels for each variable/parameter to prevent evaluators 'sitting on the fence'. The question is not only which criteria to use, but also who does the assessment. People are not 'owned' by their managers and, in the opinion of some, an external assessment of internal candidates can provide valuable objective benchmarking.

Basis for decisions

It is important to look at the process that determines how people are developed and promoted. In recent years, the criteria have changed a lot: not long ago, there was simply the view that a 'strong' person was needed, whilst now there is more focus on the process. How is a decision arrived at and who has contributed to that process?

At the same time, HR decision-making itself is very much a cultural issue. There are important differences in attitude between North America, Europe and Asia, as well as between regions thereof. Moreover, it is essential to ensure that changes are properly implemented. When one looks at a company's talent, one should not only consider the leadership potential of the candidates, but also at how they got there, the support they can expect, maybe even whom they destroyed along the way...

HR people have often had to take decisions on limited information, and may even still do so. But, today, they have access to assessment data on skills and capabilities, as well as 360° reviews, employee surveys and other tools. Since simplification is such an important consideration, the HR department should avoid overloading managers with too much information. Yet forms and data can substantially remove subjectivity from the process. Having a system and a pool of employees accessible to all executives ensures an 'open market' and minimises subjectivity and room for manipulation....



Hunting the 'hipo'

The essence of any talent management strategy is to spot the high-potential people, the 'hipos'. Easier said than done, but there are some things you can learn from other people's experience.

Three key steps can aid the process. The first is to *take the context into account* when assessing a person's performance to date: context determines how people react, so objectivity is impossible without knowing the context. Even a person's potential is highly circumstantial and context-driven: for example it can be strongly affected by who happens to be his or her boss.

The second key step is to ask what has contributed to a person's potential: is it personal characteristics or past experience, *nature* or *nurture*? Certain skills such as relationships, drive and judgment are hard to develop, so it makes sense to hire these skills rather than necessarily look for sector knowledge or specific knowhow, which often can be taught. The consensus view is that nature accounts for some 75% of a person's potential, nurture for only 25%. The elements of a person with potential are innate and include ability, awareness and receptiveness.

So does this suggest that MBAs, leadership courses, and so on are a waste of time and money? Not at all: if you can succeed in changing mental models and the way people think, you can really influence their behaviour: you can only change behaviour if you can change the mindset. If you have a culture that encourages positive behaviour, then you get positive behaviour. The right mindset is all-important.

The third step is to *validate your conclusions*: measure and follow up. An HR manager describes one such approach: "we conducted an experiment where we interviewed successful and unsuccessful managers,

analysed the answers and found that the learning skills were a differentiating factor. Successful managers had been through more 'key learning events' - events in life where they had had to cope with a significant change at a private or professional level. These moments impacted their life because previous experiences had had to be redefined. The less successful managers had the tendency to blame the environment and the context."

Confronting candidates with potential 'key learning events' is one way of sorting the sheep from the goats. There is a body of opinion that believes the difference between hipos and the rest is that the hipos look at something that doesn't work and adapt accordingly. A normal person does things the same way over and over again.

One company uses a multi-criteria grid to determine which people are eligible for succession planning, then creates challenges to stretch them while providing tailored development with coaching, milestones and a timeframe. Another looks for consistent performance and then puts these people into cross-functional teams to work on innovation projects lasting a few months to a year. A third company pulls people out of their 'comfort zones', e.g. from sales into finance, to see how they behave: frontline experience is augmented by a three-week programme, over six months, where hipos are put to work on real case studies.

Defining high potential

What precisely is meant by 'high potential'? There are many interpretations, even within the same company: from an HR perspective, it's a matter of who can develop into a higher managerial position whereas, from a business perspective, it is more a question of who will be crucial to the business in two to three years time. Talent used to be "everyone who had a pulse" but, now, it's a much more thoughtful selection process.

**"SUCCESS IS
99 PER CENT
FAILURE"**

*Soichiro Honda, founder of the
Honda Motor Corporation*

TRUE STORY

A European team was briefed by an old Asia hand on how to deal with the Chinese. "It's appropriate to offer every member of the Chinese delegation a gift," he explained, "but they will not open the gift in front of you. So when they offer you a gift, you should not open it either." The Europeans did exactly as they were told. Unfortunately for them, the Chinese had taken advice from an old Europe hand...

HISTORY 1

"One damn thing after another"

A cynic's view of history...

HISTORY 2

"Anyone who doesn't know where he's coming from and doesn't know where he's going to, doesn't know where he is."

Otto von Habsburg

Hansar explained

Hansar is a principal supplier of international executive search services to selected, multi-divisional organisations and smaller, entrepreneurial businesses expanding into international markets. Our strategy is to work with one or two companies in each industry segment. In this way we are able to maintain a close working relationship with clients, sharing in their success and guaranteeing a high level of enthusiasm and pride in the partnership.

Our clients come from diverse sectors in terms of products, services and geography. We are able to transfer our sector knowledge and apply it where there is synergy, giving new blood and creative thinking where appropriate. We focus on general management and senior positions within corporate structures.

We have built up a clientele of some of the world's best-known and most prestigious corporations on both sides of the Atlantic, and we have won some of the most important assignments ever awarded in Europe.

Hansar has always been involved in trans-national executive search assignments, be it global or pan-European. Our strategy has been driven by the obvious need to maintain direct control of all searches, regardless of linguistic and cultural borders. Consequently, we have put together a highly talented core staff who can operate around the world and deliver a consistently high-quality search service.

A member of AESC, Hansar abides by that organisation's ethical standards and practice guidelines. We take an active part in AESC's effort to develop the executive search profession.

The company, which is headquartered in Brussels, operates trans-nationally across all markets. Hansar is a member of the Penrhyn Group with offices on five continents, and is additionally supported by a network of research facilities covering the major centres of the world.



HANSAR

Items from this newsletter may be reproduced without permission provided reference is made to the source, 'Hansar Executive News'.

Hansar International
Member of Penrhyn International
Rue Belliard 205
B-1040 Brussels
Belgium

Tel : + 32 2 231 06 35
Fax : + 32 2 231 09 68

Publisher : Anders Borg
© 2004
Hansar International

Printed in Belgium

Different organisations have different interpretations. One definition, inspired by the London Business School in the UK and Stanford in the US is 'intellect and drive'. Other definitions are 'potential for leadership' or the potential to move to higher levels of man management. Yet another interpretation is 'agility and ability' - ability to deal with unpredictable situations time and again.

One of Europe's biggest players in the consumables field defines potential as drive, influence and judgement. "We have been communicating this, but start to find that it doesn't help us. It seems to be more about performance than potential. So we ask ourselves the question 'why are we labelling people?' Maybe, it's better to invest time in training and development."

A European high-tech company has a different approach. Here the criteria are capacity (experience, competence), delivery (commitment, achievements) and relationships. In this case the hipos are eventual candidates for the top two layers: executive VPs and VPs. They are divided into three groups: 1. very high likelihood of success; 2. 'jury still out', and 3. 'watch this group' (under 35s). Nothing is written down, but potential is reviewed in performance appraisal discussions. Executives make it their business to get to know and talk to the people involved.

Sheep and goats...

One aspect that bothers many HR managers about the 'hipo' approach is the arbitrariness of distributing and ranking human beings into categories. The process puts labels on people and, moreover, it takes the focus away from the middle 40 per cent. In multinationals it is also difficult to calibrate globally, even if the competences are global. Yet it forces managers to look into the future and to differentiate, as much about the hipos as the 'also ran'.

One of the big issues is whether you tell people they are on a hipo list or not? Some companies make a policy of informing people about the existence of the list and of the ranking and find that employees make an extra effort to get on the list. One of the world's best known compa-

nies for talent development closes the loop by giving everybody the ability to access the results on the intranet: individuals can then go to their managers with questions if they want to. Others believe that people should not be told because the hipo status isn't guaranteed: one year a hipo, next year fired! Knowing you're on the list can also induce a false sense of complacency, with people interpreting their position as a status symbol or as an end in itself.

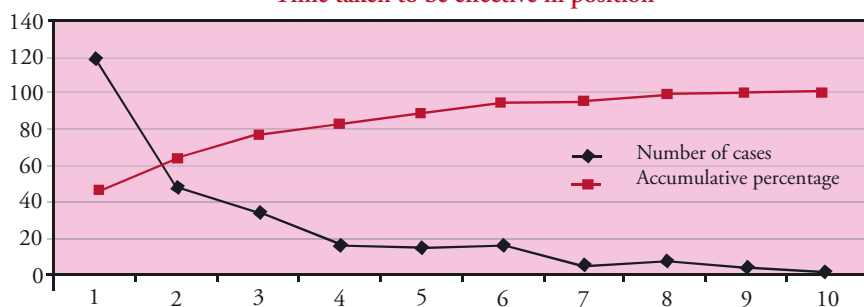
Most companies work on an elite of 1-2 per cent, starting from maybe a 10 per cent 'pool' of potential candidates. Some of them apply the process not only to leadership in man management but also to 'highly valued employees', people who don't want to aspire to or ever would be elevated to the top echelons, but who are absolutely necessary for the sound functioning of the corporation. Everyone has potential but it's different for different levels.

As to *validation*, what criteria should be used to judge the success of the process? Do companies monitor to find out where hipos are three years on? If not - as is most often the case - the organisation is failing to maximise the benefits of the process. One company measures the percentage of placements and how many crossover transfers are effected: this data is then compared with previous appraisals to 'mark' standards of prediction.

Does it matter if a company has a high-potential programme or not? It provides a comfort factor to top management to know that succession is under control, and having too meagre a hipo resource would be serious. On the other hand an excessive hipo resource can encourage managers to move these people up the line too fast and consistently put them into positions that 'stretch' them. However, if there are too many people with great potential but insufficient experience surrounding a particular manager who suddenly leaves for whatever reason, it creates a vacuum at that level of management.

Ultimately, the biggest challenge is to communicate talent management as an overall concept, sustain it after the initial kick-off and apply it consistently later on. Like much else in life, 'proper care and feeding' of talent is as much a personal commitment as a corporate process.

Time taken to be effective in position



A Hansar International study recorded the time that it took for 267 management recruits to be 'up and running' in their new jobs. Subjectively $\pm 25\%$ felt they needed four months or more, whilst nearly 45% were 'out of their blocks' after only a month. Successful coaching can speed the induction process and cut corporate costs.

For a reference list of further reading on topics in this issue, please call:
Mary Levy-Finan
Hansar International
Tel: 02/231 06 51
For suggestions and discussion, please call:
Anders Borg
Hansar International
Tel: 02/231 06 35