

SECURING THE FUTURE: MANAGING TALENT IN A COMPLEX WORLD

Among technology, communications and media (TCM) companies in Europe, approaches to managing talent vary enormously, as do efforts to ensure that workforces are equipped for the challenges that convergence brings.

The results of our survey of 30 HR directors of leading TCM companies suggest that while most businesses can see the value of prioritising talent management, the reality is that the pace of change in the sector and the uncertain economic climate means that short-term priorities often get in the way of longer-term plans for talent development and succession planning. Few companies rank themselves close to world class in this regard.

As soon as you start defining talent management, the breadth and complexity of the challenge becomes clear, since it touches on everything from recruitment, succession planning, retention and assessment to mobility, diversity, leadership development and the acquisition of new skills.

By their own admission, the heads of HR at most companies believe they have some way to go before they can claim that HR is operating with the degree of influence and sophistication to which they aspire (see chart on page 2). We found a correlation between those companies in which HR is viewed as playing a critical advisory and strategic role by fellow members of the executive committee

and those companies where HR leads an effective talent management and development programme. Other indicators of the function's influence include the head of HR reporting to the CEO and the use of HR by the main board in areas such as remuneration and CEO succession planning.

Convergence

The blurring of lines between companies that until recently occupied distinct niches has made the quest for talent particularly challenging, since the skills required to innovate and drive future success may not exist within an organisation affected by convergence. A handset manufacturer is unlikely to find an outstanding content developer in its ranks. In the words of one HR director: "Convergence means there are critical areas of future growth where we had little or no talent. We have had no choice but to hire in at the senior level."

"Convergence means we have double the number of competitors and double the number of potential partners."

Importing such talent can have a highly positive, dynamic impact on an organisation, but it doesn't come without dangers. When executives arrive from a very different working culture they may find it difficult to adjust or be as effective as they should be due, since the environment may not be conducive or they may be treated with suspicion. The role of HR in anticipating and dealing with these issues is critical for any company wishing to benefit from the opportunities brought by convergence.

And yet as the competitor landscape continues to shift not all companies see external hiring as the best solution to the dilemma of convergence: "You think you need a set of skills, hire a big hitter, and then you find you need a different animal after 12 months." Another company has chosen a more gradual approach: "In some cases we asked internal people to focus on a particular area and become in-house experts. This approach, combined with external consultants, helped us get a long way towards where we needed to be."

Succession

Most companies acknowledge the importance of succession planning and focus their efforts on the top of the organisation. However, few HR directors believe that they have a truly effective process

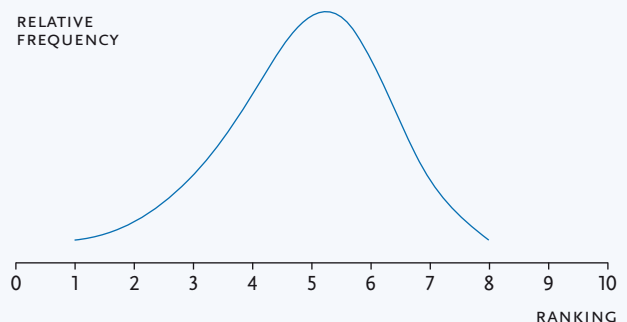
in place. In some companies this may be because there is disagreement over where primary responsibility lies — i.e. with leadership (and the line) or with HR? Other companies suffer paralysis every time a senior executive resigns — a sure sign that there is no long-term process in place to nurture and develop talent throughout the business.^t

"We looked at the GE approach and realised we are a long way from where we need to be."

More often than not, a company is unable to appoint a successor within 24 hours of a senior executive resigning, which would be the yardstick for GE. Indeed, one HR director admitted: "If I look at the last 10 senior appointments, eight have been external hires. That proportion is too high." The balance of internal versus external resourcing at the senior executive level is a useful metric and the consensus is that a good ratio is 70:30 in favour of internal succession. "Any higher than that and we would risk becoming too stale an organisation," said one HR director.

How HR directors rank their company's talent management effectiveness

We surveyed a number of senior HR executives, asking them to rate the effectiveness of their company's talent management on a 1–10 scale. Few considered their organisations to be world class.



Developing and retaining high potentials

Having people ready to step up to important leadership roles presupposes the existence of an effective programme to develop and retain high potentials, or 'HiPos'. Identifying who these people should be is a critical element of any company's talent management strategy. Formal assessment helps, of course, but so does sharing the responsibility for identification across the organisation: "If you want to be considered for a move, then the first thing you have to do is find your successor. That message is very clear and it works!"

Most companies we spoke to are reasonably confident about developing their HiPos but struggle with retention. HiPos need to believe that the leadership team is genuinely interested in furthering their careers. They are far less likely to leave for money than for other reasons, such as not being offered opportunities to learn or progress, or because they do not like or respect their boss.

Identifying HiPos can have unintended consequences, especially when they become aware of the status that has been conferred on them. There is a danger that HiPos can become self-important, elitist and conscious of their marketability, as one HR director discovered to his cost: "We identified a group of people who were the *crème de la crème*. Within a year of labelling these high potentials we had lost 20 of them to our competitors."

"We reorganise every few months. Managing the careers of HiPos in this environment is incredibly difficult."

One HR director recounted the ease — and danger — of 'over-recruiting' talent into a company with a strong brand: "Hiring over-qualified people sounds great, but in fact we ended up losing people because we were unable to move them into roles that would do justice to their talent."

Assessment

Most of the HR directors we spoke to recognised the value of formal assessment in bringing a degree of objectivity to identifying long-term potential and ensuring that the right people are in the key roles. As one HR director observed: "Assessment is much more difficult than people think. Often, there is a perceived view about an individual that stays with them for a long time. It may not however accurately reflect their ability or their potential."

"Assessment provides legitimacy to the decision-making process. It's worth doing it for the 10% variance from your own perspective — you don't always get it right."

The more sophisticated assessment solutions can differentiate between the capability and performance of an executive in their current role and their potential to continue their success at the next level; this is particularly important in the fast-changing environment of TCM. Some companies will also hire an executive search firm to benchmark their executives to the external market.

Mobility

One of the best ways to both retain executives and develop their leadership potential is by moving them around the business and giving them exposure to overseas markets. However, the nature of mobility in global businesses is changing. Several HR directors observed that the notion of the ex-pat is outdated and prohibitively expensive. Companies are increasingly reluctant to move an executive into a country to run the local business: "The imperialist notion of putting in a white face to run your Indian operation is just not acceptable any more." Furthermore, fewer executives are willing to uproot their families for a three-year stint overseas.

One HR director had worked out the cost of an ex-pat appointment as between 2–4 times the cost of a local hire, on top of which trying to fit executives back in is becoming more and more difficult: “Three years is a long time in our industry and a lot of things happen.” Short-term assignments overseas are increasingly common, but there is a danger that executives are not in these roles for long enough to be able to deliver. Interestingly, some companies are currently focused on getting Chinese, Indian and Japanese executives to work in Europe, rather than the other way round.

Diversity

The issue of diversity is an increasing concern to companies in the sector. One HR director neatly summarised the dilemma in her company as follows: “We don’t deny people anything based on their race, creed or sexual orientation. But we have an all-male executive. People hire and connect with others like them, which is why an active diversity policy is necessary to ensure inclusivity.”

“Diversity has to be woven into the fabric of everything we do.”

The question is, why does diversity matter? For a start, from a commercial perspective, the make-up of an organisation, including its executive committee and main board, should reflect the customer and consumer markets in which it operates. The HR director of a consumer electronics company observed that the business had a double challenge. Like many technology organisations, the number of women on its executive committee was far lower than it would have hoped; it also realised that its brand was perceived less favourably by women in the marketplace than some other brands operating in the sector. Many companies feel that they are missing out by having half of the world significantly under represented in the top echelons of the business. Although gender diversity is the most common focus, ethnicity can be just as important

and in some cases more so. On the whole, what drives diversity is commercial opportunity and the desire to create a pleasant, balanced working environment rather than regulatory pressure or political correctness.

The challenge is, how to achieve more diverse senior leadership teams? Many companies ask their search partners to ensure that longlists and shortlists contain diversity candidates, yet they find that these candidates do not get selected. Others take a more strategic approach. They recognise that diversity candidates are a scarce resource and take a more proactive approach, identifying and building relationships with potential diversity candidates over a period of time. In this way, companies change their thinking from “Here is a position, now let’s find a diversity candidate to fill it” to “Here is a high-calibre diversity candidate, how can I fit them into our organisation?”.

HR and the line

At the heart of the talent management agenda in TCM companies is the question of who is responsible. Many HR directors are emphatic about the separation of duties: “HR can provide the tools and act as advisors, but the line must own the talent management agenda.” Line managers are not always good at identifying and articulating development needs and finding solutions for them, or indeed at giving proper performance feedback. Yet they hold the key to the employee relationship. As one HR director said: “The executive team talk about attrition and look at me. I say, ‘don’t look at me! People don’t stay or go because of HR. It is line managers’ responsibility if their team is unhappy. They need to find out why, motivate people and ensure they remain engaged.”

About Spencer Stuart

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 51 offices in 27 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

The Technology, Communications & Media Practice

Spencer Stuart's global Technology, Communications & Media Practice, founded in 1982, has helped build the leadership teams and boards of some of the world's preeminent companies. From major multinationals to medium-sized companies to startups to venture capital firms, our clients rely on us not only to deliver outstanding results, but also to operate with the flexibility needed to navigate in rapidly changing market conditions. Each year the practice conducts more than 1,000 senior-level executive search and board director assignments worldwide.

About the authors

Patrick Hynes and *William Alexander* are core members of the Firm's Technology, Communications & Media Practice, both based in London.

Amsterdam
Atlanta
Barcelona
Beijing
Bogota
Boston
Brussels
Budapest
Buenos Aires
Calgary
Chicago
Dallas
Dubai
Frankfurt
Geneva
Hong Kong
Houston
Johannesburg
London
Los Angeles
Madrid
Melbourne
Mexico City
Miami
Milan
Minneapolis/St. Paul
Montreal
Mumbai
Munich
New Delhi
New York
Orange County
Paris
Philadelphia
Prague
Rome
San Francisco
Santiago
Sao Paulo
Shanghai
Silicon Valley
Singapore
Stamford
Stockholm
Sydney
Tokyo
Toronto
Vienna
Warsaw
Washington, D.C.
Zurich