



CENTRE FOR
PERFORMANCE-LED HR

Gaining Board Interest and Engagement: A Challenge for Talent Management Teams

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Executive Summary

Talent specialists from the Department of Work and Pensions, Royal Mail, Royal Bank of Scotland and NG Bailey have researched the views of 30 senior non-HR executives operating at board level on how to optimise board engagement in the area of talent management.

The paper draws attention to the role of the CEO in championing the talent management process and the credibility of the HR function within the organisation. HR has to act not just as the gatekeeper and administrator of the talent process, but as coach and support to the executive committees, leaders and managers in the business. Although many talent systems have sophisticated processes, which are embedded and widely used, many problems still persist. The value placed on talent management activity is still low, much activity is in “silos” and on a “hoarding” basis, HR has had mixed success at building accountability for talent into the roles of leaders and feedback mechanisms from talent discussions to individuals were generally found to be poor. Cultures vary in terms of acceptance of ‘high performers’. There is still a running sore as to what is meant by potential, with varying degrees of robustness and transparency of the various definitions. The paper also analyses what senior non-HR executives do not comment on. From this we conclude that HR needs to address three misunderstandings: talent is seen as important only at ‘moments in time’ rather than being an ongoing matter for consideration; business drivers are rarely linked to their assessment of talent; and there is too much concentration on individual talent and not the underlying issues of organisational capability. Organisations focus too much on the supply and not the demands of talent, and more insight is needed into differentiating different types, or segments, of talent. The paper provides 13 practical recommendations to deal with the issues raised in the paper.

Introduction and Background

The thoughts, ideas and recommendations that are outlined in this paper originated from discussions between a group of participants at a Talent Special Interest Group (SIG) meeting organised by the Centre for Performance-led HR (CPHR) based at Lancaster University Management School.

The Centre was established to bring together academics and senior HR Directors to overcome the most pressing issues facing senior HR specialists today, particularly the dilemma of HR contributing meaningfully to high levels of organisational performance. To explore issues of common interest the Centre and its partners have created Special Interest Groups (SIGs) in Employee Engagement, Organisational Design and Effectiveness and Talent. Thirteen of our founder companies are represented in the Talent SIG, with the membership composed of those senior executives responsible for talent management activities within their organisations. At our initial meeting we shared information regarding the approaches to talent management that each of our members had adopted including what processes were included within the scope of talent management, any models that were utilised e.g. 9 Box, whether the system was designed internally or with external consultancy support, and what were the major internal problems and issues that were faced.

We also split into smaller sub-groups to explore more specific areas of interest in the talent arena. Our sub-group was comprised of Claire Campbell (Department for Work and Pensions), Louise Cartwright and Simon Haben (Royal Mail), Kathryn Gray (Royal Bank of Scotland), Sally McGuire (N G Bailey) and Martin Hird from CPHR. We were particularly interested in two issues. First, how one obtained a significant level of board engagement in talent matters, and at those times when presentations were made to the board on succession plans, high potential candidates, high potential movement proposals, and critical role analysis. Second, exploring the possibility that board members, including non-executive directors, may be de-motivated and not effectively engaged because of HR talent jargon or over-complicated language.

In order to develop a clearer picture of the issues we have undertaken some research regarding the views of senior leaders on optimising board engagement in the area of talent management. We believe that a discernable pattern of issues were highlighted that is both of interest and of practical relevance to HR and talent practitioners.

Following this introduction:

- We outline our overall approach to the project, agreed question and probe areas, interview schedule, interviewees;
- Describe the outcomes of the research and the key findings that emerged;
- Review these both in terms of what was highlighted and discussed during the interviews;
- Outline the conclusions that emerged from our sub-group deliberations following the completion of the interview schedule;
- Outline some important issues for us that did NOT emerge in the interviews;
- Propose a number of recommendations for talent practitioners to consider in terms of enhancing board engagement.

One specific issue is worth highlighting in this introduction. It is the “running sore” in talent management of achieving a common and genuinely understood interpretation of the meaning of “Potential”. Our study reveals both a divergent array of definitions regarding what the descriptor actually means!

Research Methodology

Our target research group was principally senior non-HR executives, preferably those operating at board level and who had experienced board level talent reviews. We have also sought the views of a small number of talent specialists.

Thirty interviews were conducted within our sub-group's employing companies of the Department of Work and Pensions, Royal Mail, Royal Bank of Scotland and NG Bailey plus some respondents accessed by CPHR, namely Royal Dutch Shell and Vodafone. Example interviewee roles were: Managing Director Wholesale Business; Acting CEO; Non Executive Director; Acting Chief Financial Officer; Executive Team Member; Global HR Director; Former CEO; Managing Director Consumer Market Business; Managing Director Commercial Markets Business; Group Planning & Analysis Director; Divisional Finance Director, Retail and Wealth Business; and a General Counsel.

Our research approach was qualitative and involved individual interviews of approximately one hours duration. We designed a set of semi-structured questions which focused upon the strengths and weaknesses of the current talent system, whether there were issues of HR jargon, what could be done to maximise the effectiveness of the system and also respondents' views on the use of external talent consultants to support in-house HR. The interviews were conducted by members of the project team and were transcribed.

Findings

The findings are discussed under four key themes which we identified, reviewed and clustered from each of the transcripts.

- 1) **The CEO and HR:** The role of the CEO and the credibility of the HR function.
- 2) **Culture and Leadership:** The origins of the impetus for the approach/desire to have and drive talent management and why.
- 3) **Talent Management Process:** The focus on 'the process' and the approach taken, why and how it is communicated.
- 4) **Talent versus Potential:** What 'talent' means in the business, what 'potential' means, and the extent to which language used around talent helps or hinders particularly when conducting board level talent reviews.

An additional element that was felt worthy of note was what did not come out of the interviews i.e. what we as talent specialists would have expected to be raised or thought was missing. This is covered separately in the findings.

Findings Cluster 1 - Role of the CEO and the credibility of the HR function

a) Role of the CEO

Without exception the interviewees identified the role of CEO as essential to the success of any approach or initiative regarding talent management. This positive orientation must be on a long-term basis, with clear, visible, and strategic involvement. The CEO must get into detailed discussions when considering the senior team across the business and must be key in acquainting the non-exec directors with salient details of candidates in the senior talent pool. Most interviewees stated that the CEO is ultimately accountable for ensuring the resource developed or indeed recruited into the business is capable of delivering the longer-term business strategy.

In some organisations it was unclear as to who was the talent champion in the organisation, is it the CEO or the heads of the business divisions? In approximately half of the organisations in our sample it is the CEO who chairs a twice yearly 'Talent Forum' which members of the executive management committee attend. It is facilitated by Executive HR, usually the HR Director. The focus of these sessions was primarily around data review of individuals (with a particular emphasis on their performance) rather than people around the table knowing the individuals being presented particularly well and being able to take "a view" on their long term capability and how best to develop and utilise them for the future. The organisations interviewed were generally moving towards to a "re-focus of the agenda" in order to really understand their individual's potential and how this links to organisational capability and both current and future gaps.

Questions about the role of the executive management committee (or equivalent board) in the development of talent also arose in the interviews. In particular the need to be very clear on the roles and responsibilities of the executive management committee in relation to talent – can boards force talent activity to take place i.e. development moves etc over and above divisional requirements? In most organisations interviewed this was not the case.

b) Credibility of the HR function

One of the key findings from the research was the impact that HR can have, or not as the case may be, on the success of talent discussions. This is determined by the credibility of the HR function within the organisation. In some organisations where there is a 'Golden Triangle' of aligned interests between the CEO, Finance Director and HR Director, the HR function influence can be significant. Where this alignment does not exist, HR is often perceived as simply the gatekeeper and administrator of the talent process.

In a number of the organisations the HR function was viewed as providing the data and getting "talent packs" ready for the executive talent meetings and other talent meetings that take place at lower level. In a few cases the HR Director does not know all the talent around the table at a senior level, and apart from the formal meetings does not engage in much other talent activity (other than their own immediate function).

In at least one organisation HR has a relatively low profile across the divisions in the talent space. In other organisations HR is seen as helping to shape and guide the process and a key component in driving talent activity. This differential perceived authority, then, can blur the issues of who 'owns' talent management and who is ultimately accountable for talent in the organisation. In the most negative situations responsibility for talent management may be abrogated.

A key theme coming through the interviews was around the supporting talent documentation. The HR team can produce as much documentation as they like, but if it does not resonate with the business leaders it will be rejected and the whole approach questioned. Too much data is often provided at short notice on too many individuals in the organisation. This can then overwhelm the business leaders who often, therefore, are not able to fully interact in meaningful talent debates. HR have a role to play which is much more about coaching and supporting the executive committees, leaders and managers in the business, ensuring they identify talent and manage succession plans, this then helps to ensure HR's credibility.

Findings Cluster 2 – Culture and leadership perspective

a) Who 'owns' talent management

This cluster of findings is linked to the first in that the role of the CEO is key to driving true ownership and focus on talent management across organisations. There seemed to be a consistent theme from our research that the approach to talent management was generally led from HR who put in place definitions, processes etc. In most organisations the origins of the focus stemmed from the late 1990's and early 2000's often fuelled by the view that it was good for both blue chip and public sector organisations to have a focus on talent. Equally the media focus on the "War for Talent" fuelled some of the internal need to identify and grow talent from within.

In terms of building accountability for talent into roles of leaders there were mixed findings around how this actually happened and how effective it was. Even in one organisation where the roles of team managers, people managers and senior leaders all had talent development in their job descriptions – the value placed on this activity over and above achievement of role tasks was low. Evidence for this came from feedback surveys from employees and line managers themselves and the culture was clearly more about achievement of results than people or talent management. Although many of the organisations did have some role focus on talent management, in reality the achievement of tasks tended to take priority.

There was very little tangible evidence of real collective ownership of talent across the organisations researched. Many were split into divisions or business units and there was much evidence for silo based talent management. The 'silos' were often keen to retain top talent and talent conversations at executive level tended to concentrate on data rather than people based discussions. In multi-divisional organisations there was limited evidence of cross-divisional moves to develop talent. "Hoarding" of talent was seen to be a real issue.

b) Impact of culture

Culture is clearly an important factor, with all interviewees suggesting that openness and transparency is the only way to ensure fair and effective movement of talent around an organisation. Also other influencing factors such as business models and divisional structures, drive behaviour that means people keep or hide their talent to ensure their local performance. This tension between business performance and talent development was highlighted on a number of occasions. We found that more often than not the need to deliver the business targets took priority.

Equally the extent to which the culture is accepting of 'high performers' was instrumental in the way talent management was perceived and conducted. In some organisations, this was clearly expected and accepted, PWC for example, whilst in other organisations high potentials were not publicised for fear of offending those not identified as "key talent" or "stars". This relates directly to managing general performance and delivering difficult messages to underperformers, highlighting the lack of clarity for managers and leaders between 'performance' and 'potential.' Again, this issue appeared consistently throughout many of the interviews.

The transparency of the talent process and who was considered 'talent' within organisations varied and was also linked to the culture of the organisations and the personal view of the CEO. Many organisations did highlight top talent but they were not always widely known or fully utilised for the benefit of the business.

A consistent theme across many of the organisations was the lack of recognition of managers who developed talent. There was minimal evidence of leaders being regarded particularly negatively or 'marked down' on appraisals for not developing talent. This non-recognition of talent identification and management was often related, we believe, to the macro culture of the organisation, in terms of fostering high performance.

Many, but by no means all, interviewees expressed a view that the desire/drive for managing talent and succession planning has to be borne out of some commercial benefit for the business, or some form of differentiator for the business. Not all of those interviewed made this link to the bottom line or business differentiation.

c) Internal or external talent support

In the large majority of organisations interviewed talent management was managed internally by the HR department. One organisation engaged an external body who specialise in talent to help drive cultural change around talent i.e. to move from compliance to commitment - more people focused approach - which was less about hard data and more about the organisational philosophy and having conversations around people. This was the exception rather than the rule.

Findings Cluster 3 - Focus on Process

The process used in talent management

Each of the organisations interviewed had some form of talent management process in place. In organisations where talent management had been on the agenda for 10+ years many of the processes were well embedded and understood. Some were highly systematic, with key steps and timetables for activity completion.

One consistent theme from those interviewed was the need for simplifying the process and keeping the data produced and used to a minimum. Some of those interviewed felt overwhelmed with the amount of data presented that they were expected to assimilate and comment on with little notice prior to the executive committee talent meetings. From the interviews it was clear that not every individual being discussed was known to those contributing to discussions and decisions about their capabilities. This knowledge factor was felt by many respondents to be an essential pre-requisite for meaningful talent discussions. It was also felt that HR could and should do more to facilitate this understanding and knowledge about talented individuals by the executives. It also supports the view that boards should focus upon a small group of very senior managers in their talent debates e.g potential board successors, to ensure that those discussions are well informed.

The feedback mechanisms from talent discussions to individuals were generally found to be poor, largely as a result of the limitations and credibility of the talent process. Other reasons for this were cited as leaders and line managers not having the skills, or in some instances desire, to have these types of conversations.

In most of the organisations again there was little or no strong connection of the talent system with other business processes. This had generally been recognised and was changing through endeavours such as being linked to leadership capability frameworks and recruitment decisions more explicitly.

Findings Cluster 4 – Talent versus Potential

The 'running sore' of what potential actually means arose throughout the interviews. For most organisations talent meant people at the more senior level of the organisation although some organisations adopted an approach that everyone is or has talent. However the overall pattern was that talent forums and discussions focus on more Senior Managers and Executives than those further down the organisation.

Most of the organisations had some variant of a performance versus potential matrix against which individuals were scored. We observed some differences in the clarity of definitions that were utilised. There was also varying degrees of how widely understood the definitions were and interviewees asked for more support in understanding this with examples of how the definition comes to life. What also emerged was that there were lots of comments on using their judgment in making decisions on talent and not discounting this as good evidence, even though it was not formally defined by HR. What arose from many of the interviews however, was the desire by business leaders to use the same or similar language for talent management as is generally used in the business – so that it 'makes sense' to those involved.

The Remaining Challenges

As well as looking at what comes out of any investigation it can be equally interesting to examine what did not. This ultimately goes on to ask the question, “why?”... which one suspects also leads to looking at what Talent Practitioner leads in organisations need to be doing to address the issues in a holistic way. The key areas that one might have been expecting to arise but featured insignificantly include;

- 1) Importance of Talent. There is little emphasis placed on the ‘importance’ of talent and this could potentially be a reflection of how Talent is seen across organisations. Anecdotal evidence would suggest that Talent is seen as important at ‘moments in time’ rather than an ongoing matter for consideration. This issue may well have an impact on how things get done and the tendency towards process over discussion as mentioned above.
- 2) Drivers of Talent. Whilst accepting that something needs to be done and the processes should be followed, the actual business drivers are rarely discussed. This could have included areas such as what capability is needed to aid expansion into new markets or removal of costs. These key business issues that form many strategies and tactics did not correlate to the things people generally talked about when being interviewed. It would be an interesting correlation to see if this occurred generally with HR activities or if talent was viewed as an isolated dimension, to be supported but rarely integrated.
- 3) Organisational Capability. There was very little recognition of this in the interviews. The capacity to understand and harness the accumulation of talent, breaking down organisational silos and enabling an organisation to realise its own potential, as well as the individuals within it. A complicated area, and perhaps one tackled more confidently in organisations where talent management is more established.
- 4) What Talented People Want. The interviews highlighted what senior individuals in organisations thought about talent, but no mention is made of what people in the organisation, who might, or might not be talent, think about talent programmes. This is clearly an area for additional research, but lack of referral to it perhaps suggests a one dimensional perspective is being taken.
- 5) Types of Talent. Discussions focused more on the process of identifying talent that organisations have. These tend to create a degree of consistency which does of course create fairness in assessment. However beyond this is the need to see that talent can take different forms. There are people who will always be specialists in their area, people who will be great general managers and those that will make great leaders – often by taking a very different course of action than the norm. In addition one might ask what talent can everyone contribute to the organisation. Recognising these different types of people, tailoring the approach to talent management, encouraging diversity may lead to better discussions and broader definitions of both talent and potential.

Conclusions

In pulling together the findings of this research, some key themes start to emerge which we anticipate will be useful in fuelling further discussion and reflection. We have also highlighted some of the very practical implications in the form of recommendations for HR colleagues to consider whilst developing their own talent management strategies.

Overall, the research with many organisations, who have well established talent practices, still highlights that it can be a struggle to *make talent management a truly strategic business activity*. On the positive side, the senior leaders in these organisations all understand that talent management is important and commit time at their highest level tables to discuss. However, all too often these conversations are conducted once or twice a year and not connected to other business planning or organisation design activities. This is a key gap for HR to close to ensure that these activities are seen as business critical and not optional processes.

In terms of the different practices we researched, what does come through is the extent to which the most successful *talent management approach fits with the culture of the organisation*. Leading talent practitioners are not just applying 'best practice' from elsewhere but creating processes and tools which work in their culture. As an example, whilst transparency and openness about high potentials will fit in some cultures, for example professional services where excellence is rewarded and recognised, in others it can create a sense of 'elitism' which has a negative impact.

The key questions here are; 'how do we like to work?' and 'what organisational values do we need to demonstrate through our practice?'

This is particularly important when developing the process and tools for talent management. It is all too easy to make talent identification processes complicated and in the pursuit of objectivity, provide the executive members with lots of 'useful' data. Our research demonstrates that far from engaging them, this can overwhelm them. In developing talent practices, the key is to *keep the process simple*.

Understanding the business and the organisation will also help with the eternal talent challenge of *defining talent and potential*. Our research highlighted even in those organisations with published definitions and indicators, that there can be variations in understanding and consistency. Ultimately who will succeed in an organisation is hard to define scientifically but it is important that executive management committees try and reach some common shared understanding in order to facilitate moves across the organisation and build trust in each others' judgments. The talent practitioner can help by allowing the space for this conversation and by applying a healthy level of challenge to the more subjective opinions passed on people.

Finally in terms of headlines, *the role of the CEO and HR Director* within talent management has been highlighted in our research as absolutely critical. Gaining CEO buy in, helping them understand that they own this agenda and taking their direction, will make or break the success of talent endeavours. Equally the HR Director and his or her relationship with their board colleagues significantly impacts the success of talent management. Ideally the HRD should be able to play the role of support and challenge, able to uphold the principles agreed to and tackle behaviour which contravenes the organisation values.

How do you engage the Board with Talent Management?

Practical Recommendations:

- Understand and reflect the business direction and priorities;
- Engage with the CEO early and understand their talent concerns and priorities;
- Identify practices which will support the organisation culture and values;
- Be clear on the roles and responsibilities within the process – HR versus line manager versus Talent Board;
- Ensure talent activities support the business planning cycle;
- Help the board to develop their shared understanding of ‘talent’ and ‘potential’;
- Speak to high potentials in the organisation to understand what they are looking for;
- Make explicit the links to organisation design and other HR processes;
- Keep the process and paperwork to a minimum;
- Keep the numbers of people being discussed to a realistic level and ideally a target grouping that the Board will know personally;
- Avoid the use of jargon terms and acronyms – speak plain English;
- Follow through on actions agreed and ensure feedback goes to individuals who have been discussed;
- Seek feedback regularly to ensure the meetings are useful and valued.

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