



A Letter to the CEO on Talent Management

by

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A LETTER TO THE CEO ABOUT THE STATE OF TALENT BUILDING AND HOW IT WILL IMPROVE

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About the Author



Marc helps some of the world's largest and most successful companies improve the quality and depth of their talent. Using the *One Page Talent Management* approach (detailed in his Harvard Business Press book of the same name), Marc creates talent-building practices that are simple and easy to use, have strong accountability and high transparency. Marc's clients have included American Express, BNP Paribas, AMD, MasterCard, Reliance Industries and more. His experience includes talent executive roles at Bank of

America and Avon Products, and starting and leading the Global Leadership Consulting Practice at Hewitt Associates.

Dear Mr. CEO:

I know you're serious about building talent. You've read the books, listened to the gurus and talked to the consultants. You know it's about getting the "right person on the bus," and "making talent a competitive advantage." So you send your team to executive education courses, hire team-building consultants and participate in an occasional 360-degree assessment.

Somehow, though, it's just not working. Your company's talent is in no better shape now than it was five years ago. It's not bad, *per se*, but you know that better talent is out there. In fact, you worked with better talent in your last company and saw the difference in the company's performance. For some reason you never seem to have enough talent to go around either. Your last general manager's job was vacant for 8 months because no internal candidates were qualified. And, it took the headhunter forever to fill that job because

they said your "talent brand" wasn't strong (whatever that meant).

Yet your company supposedly has the latest and greatest talent practices. You have annual succession planning meetings and a leadership competency model with the 16 behaviours deemed most important to your company. You bring in world-renowned leadership speakers and send your executives to expensive, two-day assessment centres. You've worked hard to build great talent practices and even benchmarked every HR process against GE!

But still, you're worried. You know the competitive environment is getting tougher – China, raw material prices, increasing regulation. With the right talent, you know your company can be an aggressive competitor. What we have today isn't going to get us there, you think. There must be a better way to understand what talent we have, quickly develop them

and create a work environment they'll find engaging. And there must be a way to do it faster and easier than we do it today.

The Current State of Talent Building

Organisations are generally unhappy with their ability to grow talent and are increasingly frustrated as their talent needs become more severe. Outside their walls they see a competitive environment where winning requires top quality talent, while inside those walls they see millions spent on talent development with very few results. Line executives blame Human Resources (HR) groups for not delivering better leaders, while HR says those same executives talk a great game but don't deliver the necessary resources or commitment.

Caught in the middle are employees who just want to increase their skills and learn new behaviours so they can have productive careers. They want to know that the executives' promises of advancement are genuine and that HR's programs and practices will help them succeed. They're an informed, mobile and independent minded group and if your organisation can't get it together and develop them, they'll quickly go somewhere that can.

While this situation is challenging, it's also somewhat strange due to one key fact — we already know almost everything necessary to grow great talent. We understand what combination of job experiences, learning from others and formal training is optimal for development. We have 60 years of high quality behavioural and industrial/organisational psychology research that helps us to understand how companies and employees can work best together. In short, we already have nearly every answer needed to develop great talent in our organisations.

But as your own experience and a wave of recent studies show, we're not getting the job done as well as we should. In the Deloitte and Economist Intelligence Unit report *Aligned at the top*, 531 HR and non-HR executives were surveyed to better understand how companies were addressing critical people issues. While talent management issues were rated as critical to the organisations' success, thirty percent of executives said there was a radical or significant improvement needed in how their organisation managed people issues.

Boston Consulting Group's *Future of HR in Europe* report concluded that managing talent was a high current priority for European firms, their most important future priority and the area where companies had the lowest current capability. Their report stated that HR executives "face a credibility gap when it comes to executing basic HR duties."¹

A *McKinsey Quarterly* article in 2008 concluded that, "the astonishing reality is that most (companies) are as unprepared for the challenge of finding, motivating and retaining capable workers as they were a decade ago."

The world of HR clearly has some work to do. We understand that Mr. CEO and we're committed to doing better. Permit me to briefly describe what's created this problem and exactly how we'll solve it.

Why It's Not Working

If there was only one barrier preventing HR from increasing our ability to grow talent, we would have long ago knocked it down and seized our seat at the table. Unfortunately there are a number of barriers that have contributed to our challenge in building talent.

- **Creating needless complexity:** If you consider the simple intent of most talent processes, you'd have trouble understanding why a line manager experiences so much complexity. Where we went wrong was in not balancing complexity with value as we built these processes. It's not that the additional components we layered on, from highly detailed competency models to the extra 100 questions we ask on the engagement survey, were technically wrong. Each had sound behavioral science to support its inclusion. What we didn't do as we added each additional element was to consider the trade-off between the complexities we were adding to the *overall* process and how it would affect a manager's experience.
- **Adding no new value:** We haven't made our talent tools into management tools that help managers make smarter decisions or make their lives easier. While it's great to produce an engagement survey report, did we design it to help our managers quickly understand the business choices they should make because of it? The talent review process may differentiate the best talent from the rest, but do managers know how to use that information productively?
- **Ignoring the science:** One of the great things about the HR field is that there is a rich body of academic research that supports what we do. Basic behavioural science (i.e. *Classic Conditioning* by Ivan Pavlov and the *Behavioural Research* of B.F. Skinner) provided the foundation for the industrial and organisational psychology research (i.e. *Expectancy Theory* by Victor Vroom, or *Job Design* by Richard Hackman and Gary Oldham) of the past 50 years that informs every modern talent practice,

from 360 feedbacks to conducting performance reviews.

When we let this core science guide our practices, we remain appropriately conservative about what we do. If we don't understand or choose to ignore the science, we will build talent practices using our biases and assumptions, or latch onto the HR fad of the month.

- **Cutting and pasting:** In too many situations we blindly took what one organisation was successfully doing to build talent and tried to cut and paste it into our organisation. We allowed benchmarking to take the place of creating our own talent strategy. We didn't understand that the unique cultural context of the other organisation might have been very different from our own.
- **Influencing poorly:** We have not understood business as well as we could have, which has hurt our ability to influence senior executives. Our professional backgrounds and education often weren't in finance, sales, marketing or other traditional business disciplines, so we lacked both the business context and the analytical frameworks to "sell" our ideas effectively to senior leaders. Because of this, we have been seen in many organisations as "at the table" but far from influential.

We clearly have some room to grow, Mr. CEO, and here's how we're going to do that.

Successfully Building Better Talent

We're going to start making our talent processes easier to use, with more accountability for results and more transparency. We will focus purely on ensuring that talent management practices are successfully executed. We know that these practices – from succession planning

to performance management – are very powerful drivers of company performance. We also know we’ve made them so complex that they’re often not executed in the way that we’d prefer.

Going forward, we’ll solve that problem by asking ourselves these questions before designing any talent process.

1. What is the core business objective we are trying to achieve?
2. What is the simplest possible way to accomplish that objective?
3. How can we ensure that the processes actually work?

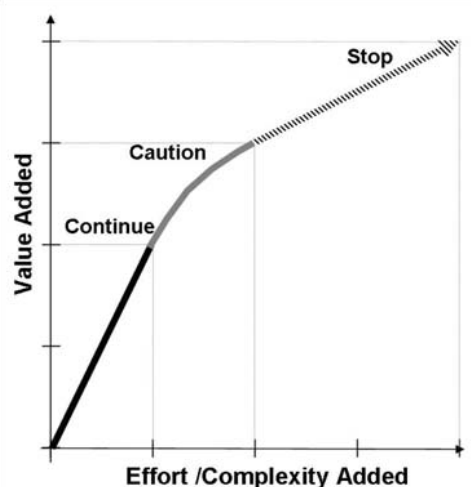
1. What is the core business objective we are trying to achieve? A core objective is an activity that changes the behaviours, capabilities or actions of your employees in order to improve business results. The core objective might come from a specific business initiative (i.e. increase sales in China by better aligning goals) or a more “generic” goal that’s derived from the core behavioural science (i.e. we know that engagement has been shown to correlate with higher customer satisfaction, so our goal is to increase engagement). The only wrong answer to this question is the name of an HR or talent practice — “performance management or “succession planning” — since those are HR processes, not business objectives. This is often where we in HR go wrong. We assume we should build a performance management system rather than focus on the business objective of increasing performance by having clear goals set and performance fairly evaluated.

This step is also where we rely on the core science that underlies HR and talent. To be successful, we need to understand the academic research in areas like motivation, leadership, rewards, etc. before starting the design of any program. If we start our design process without knowing the

relevant research, then we’re making decisions by relying on personal biases and trusting that other’s benchmarked processes are based on the right science. Knowing the core science also helps to keep us from falling for the latest HR fad.

2. What is the simplest possible way to accomplish that objective? We will always seek the optimal balance between complexity and value — the point where we’re giving a manager the maximum possible value from a process with the least amount of complexity. While you might expect that HR professionals would naturally seek that balance, too often what’s commonly accepted as the “right” way is often tilted towards complexity. As we mentioned earlier, this complexity may be academically proven to add value, but the challenge is to prove that it adds enough value to justify the complexity it adds to a practice.

We know that line managers will use our processes if they believe they deliver more value than complexity. In our design processes, we will use a simple curve that shows the trade-off between value and complexity to ensure we always maintained that balance. (See Figure 1.) As we design our talent practices, we will start



with a blank sheet of paper and take “baby steps” towards our goal, weighing the value/complexity trade-off at each step. We will consider every process step, element or form “guilty until proven innocent” and only include it if its value is immediately clear. We will only include in our processes things that the science tells us drives process effectiveness.

3. How can we ensure that the process actually works?

We know that making processes incredibly easy for managers to use is a critical first step. But if that’s all we do, we can’t guarantee that busy managers will take the time to complete even an easy to use process. For that reason we will add accountability for results to each process and make them very transparent.

Accountability for results will mean that we will hold managers accountable to complete their corporate talent practices – succession planning, coaching, performance management, etc. We will do this in creative ways that leverage the culture of the organisation, empower employees and don’t appear heavy-handed. But rest assured, Mr. CEO, we’ll make sure the process gets done.

We will also increase the transparency about both the talent processes we use and the outcomes of those processes. We believe that every associate should understand how succession planning works, why a managed distribution is used in performance management, and how they were rated on the 9-box grid.

We think these steps will make a major difference in our effectiveness, but we also need your help.

The Role of the CEO

Despite HR’s obvious challenges in implementing talent practices, it’s hard to

believe that if corporate executives had been more focused on building talent then organisations wouldn’t have made significantly more progress.

It’s unusual that corporate executives and boards haven’t taken a more active role in developing talent given their consistent pronouncements of its importance and concerns about the status of talent in their organisations. A 2008 Boston Consulting Group study of more than 1,000 European executives found that talent management was the area of highest future importance in HR but the area of lowest current capability.² A Conference Board study involving 769 CEOs had CEOs listing both succession and finding qualified managerial talent among their top 10.³ Only 27% of board members were confident that the right leaders were in place to lead their companies successfully.⁴

We need you to help us make talent building more effective by doing three things:

- **Be a Personal Role Model:** Complete core HR processes like performance management with your team so that they know you’re serious about this process. If you’re doing these activities, others will hear the clear message about your expectations for them.
- **Be Visible in Talent Building Activities:** When you are seen engaging in talent building activities like giving feedback, addressing leadership course, etc., you instantly make them legitimate and other leaders will support these processes too.
- **Make the Tough Talent Decisions:** We all know that better talent delivers better results. We rely on you to make the difficult decisions about senior leaders in the organisation to ensure that it’s functioning at maximum effectiveness. Don’t let leaders “hang

on” when it’s clear that new talent is needed.

Our Last Hope for Competitive Advantage

Whether our current situation is more due to HR’s actions or lack of CEO involvement is irrelevant in the face of one extremely consequential and scary truth. That truth is that the only competitive advantage our company can have in the future — more bluntly, the only way our company will

ever have sustained profitability — is if our talent is better than our competitor’s. Our traditional sources of competitive advantage are gone. The power of our patents has evaporated through piracy. Our inflexible fixed assets are better described as liabilities. Our great product designs are quickly imitated. Call it cliché, but talent isn’t just our best asset, it’s essentially the only valuable asset we have left. Let’s manage it in a way that reflects that truth.

¹ Strack, Ranier, Caye, Jean-Michel, Leicht, Michael, Willis, Ulrich, Böhm, Hans, and McDonnell, Michael, *The Future of HR in Europe: Key Challenges through 2015*, Boston Consulting Group, June 2007, p. 16

² *Ibid.*

³ *CEO Challenge 2007: Top 10 Challenges*, Conference Board, October 2007.

⁴ Ashby, Meredith, Atwood, Nancy, Neisendorf, Barbara, *The Evolving Role of the Board in CEO and “Back Bench” Senior Executive Succession*, Conference Board, No. 104, July 2004