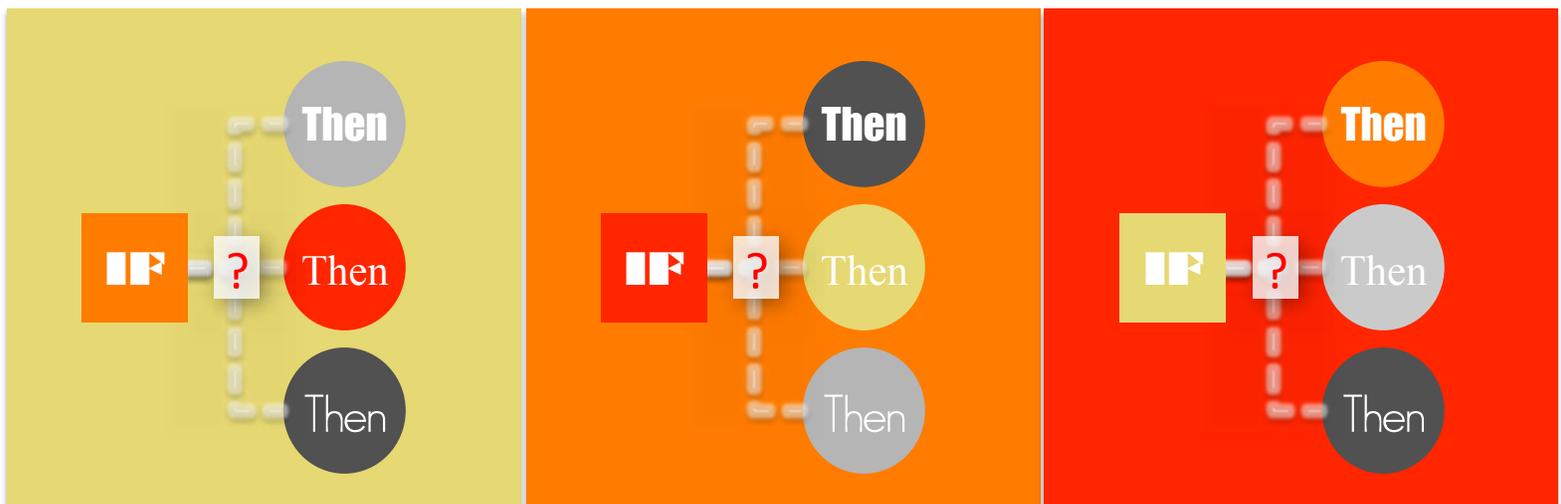
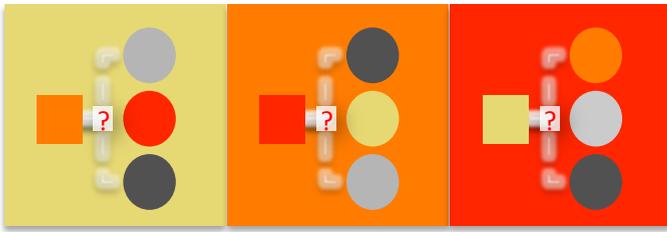


INSIGHTS

What's your Talent Philosophy?

Few companies use consistent, strategic guidelines to inform their talent decisions. Should managers' personal preferences govern how you grow talent?





What's your Talent Philosophy?

By Marc Effron, President, The Talent Strategy Group

At Consolidated Snacks, the product management team meets quarterly to review market share and revenue data for its 18 salty snack products. The team uses this data to allocate their limited marketing budget. They have also created a handful of guidelines to ensure that their investment decisions consistently reflect the company's product management philosophy.

Among the team's guidelines are that products showing strong sales growth will receive three times the marketing investment of products with average growth. They've also agreed that products that are not growing and in the bottom quarter of sales will be culled to make room for new products. The team believes that those guidelines and a few others help to enable fact-based, objective decision-making. As an added benefit, the guidelines guarantee that everyone in product development, manufacturing and marketing understand Consolidated's requirements for a product's success.

At this quarter's review, Marketing VP Susan Smith shook her head with disappointment when the conversation turned to Caribbean Corn Crunchers. She was the product manager who had originally launched the spicy corn chip and had invested significant personal capital in its success. Yet after a strong start Crunchers hadn't captured meaningful market share and was performing below its competitors. Susan was emotionally committed to the product but made the tough decision to sharply reduce the snack's marketing investment consistent with the team's guidelines.

A senior team unemotionally managing their product portfolio using a consistent set of guidelines may seem unremarkable to you. After all, it would be chaos if every product manager at Consolidated Snacks made investment decisions according to their personal preferences. Products with similar sales potential might get wildly different marketing and promotion investments. Products needing to be culled might remain in the product line, diverting resources from more promising new entrants. Disciplined, rule-based decision-making would seem essential to properly manage any aspect of their business.

So, what if we substituted the word "talent" for "product" in the scenario above? Could you say that your company has:

- Clear guidelines for how long it's OK to be an average (50th percentile) performer?
- Agreement among the executive team about how much to differentiate the investment in high performing employees compared to average performers?
- A consistent approach for how transparent you are with leaders about their potential to advance in your company?

If you answered "no" to those questions you're not alone. Only 30% of the 121 companies we surveyed had firm-wide guidelines for how talent should be managed. Even in the few firms with guidelines, many were more platitude ("we value all employees") than operational parameters for

managing talent.

With employee costs typically representing 10% - 20% of a company's revenues, it seems shortsighted not to manage this investment as rigorously as any other. If clear, consistently applied guidelines support quality decision making in other parts of the business, surely they can add value to talent management decisions as well.

Why you need a Talent Management Philosophy

A company's explicit or implicit answers to questions like those listed above comprise its talent management philosophy – its rules of the road for managing talent. Given that few companies have an explicit TM philosophy, managers' individual preferences often guide how a company invests in and manages their employees.

These individual preferences can create huge variations in the quality, depth and engagement of talent. Depending on the manager, a high potential

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employee might be aggressively developed and rewarded or receive just a token recognition of their ability. A high performing employee with less than perfect behaviors might be quickly promoted by one manager or held back by another until those behaviors improve. If your organization is trying to build specific capabilities or deliver a consistent employee experience, the lack of a talent philosophy sharply undercuts those efforts.

Without an explicit talent philosophy employees must infer their company's "rules of the road" by observing how talent-related decisions are made. It's not likely their assessment will give your company the benefit of the doubt. If they perceive that promotions emerge from a black-box process, they'll assume that favoritism and politics bias that

process. If they don't understand why some employees receive outsized rewards, they'll assume the company is fundamentally unfair in its compensation approach.

Companies without a clear talent philosophy face far more serious consequences than just having autonomous managers and confused employees. Without a consistent set of rules for how talent should be managed, companies risk:

- **Increased turnover of high potentials:** Your company's highest potential (and most employable) leaders will be especially sensitive to lack of transparency about their future or unexplained inequities in treatment. They won't whine about them; they'll just leave.
- **Decreased engagement:** The elements of a talent management philosophy heavily influence the factors that create employee engagement. If managers aren't accountable for developing their teams or bad behaviors are left unchecked without explanation, engagement is sure to take a hit.
- **Growing capability gaps:** Without a talent management philosophy, managers will rely on their personal preferences to guide how they manage and grow their teams. Your company will never build the quality or depth of talent it requires with this "random walk" approach to managing talent.

Employees can adapt to a wide variety of talent philosophies. What they want is clarity about what rules exist and to see those rules consistently applied.

Creating a Talent Management Philosophy

Our research finds that a company's approach to managing talent is defined by five elements. A complete talent management philosophy should provide guiding principles for:

- **Performance:** What are the consequences of higher or lower employee performance?
- **Behaviors:** How much do behaviors matter and at what threshold do we start to care?

Understand Your Company's Talent Philosophy

The questions below are from our Talent Philosophy Survey™. How would your executive team respond to each?:

- **Performance:** How long is it OK to be an average (50th percentile) performer in your organization today? How long should it be in the future?
- **Behaviors:** To what extent do a manager's behaviors impact their career progress and compensation today? How much should they in the future?
- **Differentiation:** How much larger of an investment do you make in your highest potential leaders compared to an average potential leader? What should this difference be in the future?
- **Transparency:** How transparent are we today with employees about their career potential in our organization? How transparent should we be?
- **Accountability:** How accountable are managers today for increasing their team's engagement? How accountable should they be in the future?

- **Differentiation:** How should we allocate our company's resources and rewards across varying levels of performance and potential?
- **Transparency:** How open should we be, and with whom, about our talent processes and their outcomes?
- **Accountability:** To what extent should managers be responsible for the execution of talent building processes?

Developing and implementing a talent management philosophy is a straightforward process:

First, get senior team input and consensus: Our data shows that executives often unknowingly disagree on key elements of a talent management philosophy. Use a short survey instrument (see the box above) to map your executives' views on each element and to highlight key areas of disagreement.

In an executive team meeting, present the data to facilitate a discussion to gain broad agreement on each talent philosophy area. It's not critical to

have perfect alignment but it is essential that each executive agrees to manage their group consistent with the team's decisions.

Second, conduct a reality check: It's easy to give socially desirable responses when asked talent philosophy questions. Should we hold leaders to higher performance standards? Absolutely! Tell high potentials about their status? Of course! Hold managers accountable for great leadership? You bet!

The ease with which we can support these conclusions makes it important to model their real-world implications before finalizing a talent management philosophy. Apply the draft principles to a few real employees and test executives' reactions to the projected consequences.

That "Steady Eddie" Finance Director with the great attitude and two kids in college? He's been here 15 years, never received more than the middle performance rating and has little possibility of promotion. Your proposed rules say that he's out in a year unless his performance improves or

he shows potential to advance. Is everyone OK with that? Use insights from this reality check to fine-tune your final talent philosophy.

Third, build HR processes and communicate to employees: Once you've agreed on the rules, modify your HR processes to enable them. Talent review, succession, development and compensation processes all likely require adjustments to consistently support your new philosophy.

Finally, and most importantly, transparently communicate the new guidelines to your managers and employees. Managers need to understand your company's expectations for how they should manage talent and the consequences of doing that well or poorly. Employees need to know what the rules are for succeeding in your organization.

Creating your company's TM philosophy may be easier than you think. We find that executive teams value this discussion and are often very progressive on topics like transparency and accountability. Test their interest by asking a few executives the questions on page 3. Then ask if they believe that others on the team would agree with them.

It seems reasonable that we should manage our company's talent with as much rigor and discipline as we manage our products. A talent management philosophy will ensure that your company has a disciplined approach to making talent decisions and that your employees understand how to succeed.

Note: All company names and identifying characteristics have been changed to preserve confidentiality.

A Sample Talent Philosophy

- **Performance:** We believe in strong, sustained performance from all employees; we hold those in critical roles to a higher performance standard
- **Behaviors:** An individual's behaviors meaningfully influence their pay and progression through Company X
- **Differentiation:** Those at the highest level of performance will receive significantly higher rewards than those with average performance
- **Accountability:** Managers are accountable to drive high performance through clear goal-setting and coaching
- **Transparency:** We share information with employees about talent processes and the talent decisions that personally affect them