

What's In It for Us? How High Performing Leaders Develop High Performing Talent



TALENT LEADERSHIP

HCI White Paper

October 4, 2007

By Lauren Gifford



INTRODUCTION

Finding and retaining strong leadership is an ever-changing business. Researchers at Hewitt Associates, an international consulting firm offering human resource business process outsourcing, have found that, along with an aging pool of leaders, there is often limited success in buying leaders for the top of the house. Additionally, most talent hired into leadership positions leave the company within 18 months. Overall, Hewitt research has found tremendous competition for available talent.

Therefore, Hewitt Associates offers a solution. According to Principal James Donohue, "buying" leaders has become increasingly risky and difficult. He is now encouraging companies to build leaders from within. "It's the only way to succeed," he said.

Strong leadership is key to a businesses ability to grow and expand, two top goals for most companies, both national and international, according to a Hewitt survey.

And with ever increasing difficulty in finding and retaining top talent, it is becoming more important to identify and groom high potential employees from within the company. "High potentials literally are holding the key to the future success of the organization," said Hewitt senior consultant Michelle Salbo.

FACING THE NEW REALITY

Donohue underlines the problem of staffing by quoting his colleague Robert Gandossy. "Organizations," he said, "need talented people a lot more than talented people need organizations."

Continuing with that, Donohue sites some Hewitt findings, such as the fact that only fifty percent of employees feel engaged with his or her work, yet there is a strong link between engagement and financial business results, such as stock price or appreciation. Additionally, in today's economy, people are one of the largest and fastest growing expenses for businesses.

Figure 1

Why Leadership Now?

- ▣ Aging leadership workforce
- ▣ "Buying" leaders on the open market will become increasingly risky and difficult. "Building" leaders will be the only way to succeed.
- ▣ Limited success in buying leaders at top of house
- ▣ Competition for top talent
- ▣ Growth and expansion
- ▣ Shifting capability requirements
- ▣ Globalization

The Three most pressing challenges over the next 3 -5 years:

North American	Other:
1. Business growth expectations	56%
2. Cost Pressures	53%
3. Increased competition	37%

Considering leadership, nearly half the workforce has just a five percent chance of becoming a top performer at the next level. And top talent at all levels tend to deliver two to six times the return of average performers, be it sales, manufacturing or marketing, those team members produce more for their organizations.

TWO STUDIES

Hewitt recently conducted two studies focusing on the art of high performing talent. The first study was based on interview with 750 top performers from seven Fortune 500 companies. It asked respondents (both managers and mid-level) what motivated them and how organizations and managers can sustain that motivation.

The survey explored:

- What drives high potentials?
- Do managers understand these drivers?
- How effective are managers in managing high potentials?
- How effective are organizations in executing these drivers?

The second survey was an update of Hewitt's "Top Companies for Leaders" research, an earlier version of which led to the publication of the 2003 book, "Leading the Way." This study examines how organizations attract, choose and develop leaders as well as the link between leadership practices and financial results. It involved 563 respondents from 41 countries and Hewitt was partnered with FORTUNE and The RBL Group.

GROWING YOUR TALENT BENCH

Shelli Greenslade, senior consultant for Hewitt outlined five keys that are fundamental to growing your high potential pipeline:

1. Know who your critical talent are
2. Understand what motivates your critical talent and deliver on it
3. Renew and calibrate your critical talent

4. Measure the effectiveness of your high potential programs and practices
5. Hold leaders accountable for cultivating high potential and critical talent

In more detail, knowing your critical talent means clearly defining what your organization is looking for in critical talent or high potential candidates and then formally identifying those people and roles.

Typically, high performing candidates are viewed as talent who have the ability to move up one or two organizational levels in two to three years, said Greenslade.

In defining high potential candidates, Greenslade recommends looking at three things: Performance, potential and character.

Performance: Historic and current performance. Does the individual have the core capabilities to do hi or her job? Are this person's work outputs strong and do they make an impact?

Potential: What is this person's ability to succeed at a role one to two levels beyond his or her current job? Has this person demonstrated leadership capabilities or competencies?

Character: Look at a person's upward motivation, psychological adaptability. Does he or she have the ability to challenge the status quo? Does this person ask good questions? Do they have the ability to see beyond their current role?

FORMAL IDENTIFICATION

Once an organization defines "High Performing,"

it's important for managers to identify those members of the company. Formal identification is important for several reasons:

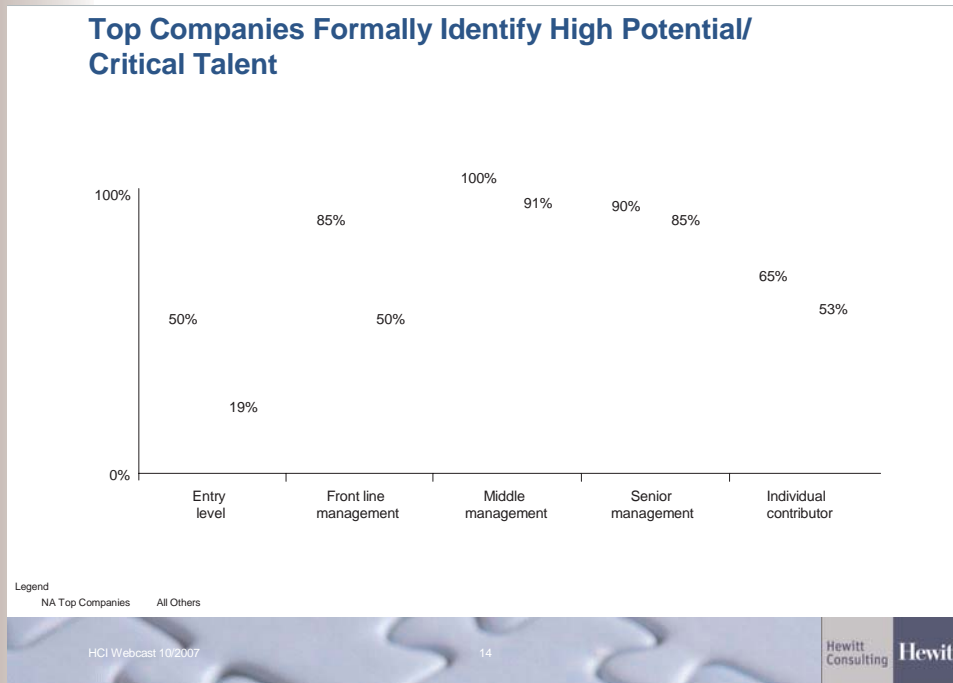
- It sends a clear message to managers that they are accountable for knowing who their critical talent is.

- It sets clear expectations for the high potentials themselves.
- It allows organizations to develop their best talent effectively.

According to Greenslade, top companies for leaders formally identify high potentials at every level of the organization, while most companies only identify top talent at the middle and senior management level.

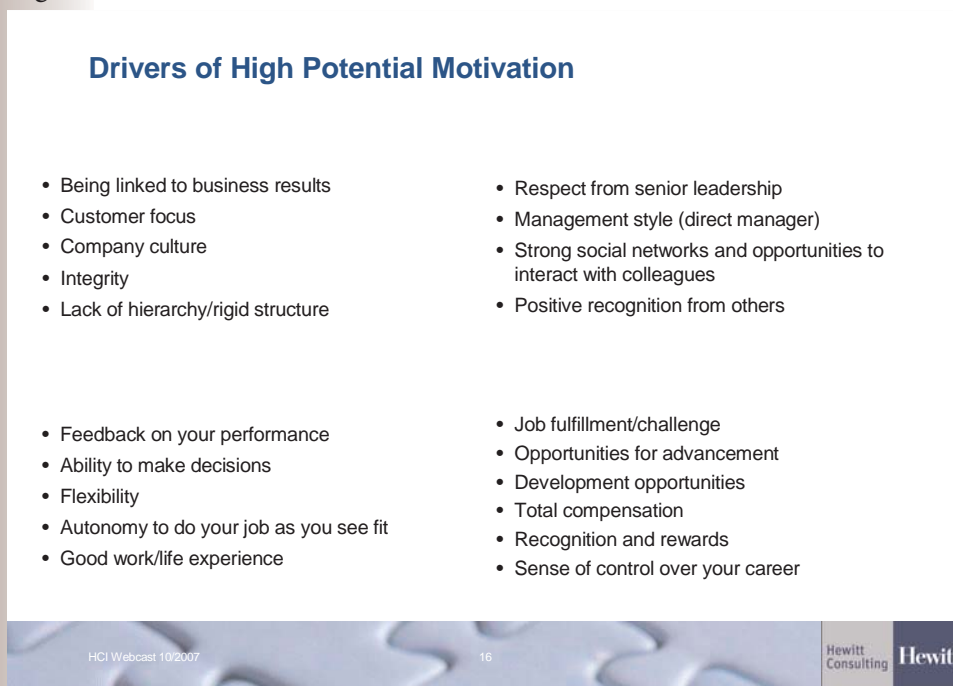
Understand what motivates your critical talent and deliver on it, says Greenslade. This means understanding what drives motivation, setting clear expectations for high potentials, developing that talent effectively and clearly differentiating their rewards.

Figure 2



KEYS TO GROWING YOUR TALENT BENCH

Figure 3



The graphic below outlines key motivators Hewitt researchers have found inspire critical talent.

Out of the 20 motivators listed in the graphic, Greenslade said six are the most important. Top talent, she said, want to have challenging and fulfilling work experiences. They want to be stretched, they want experience and

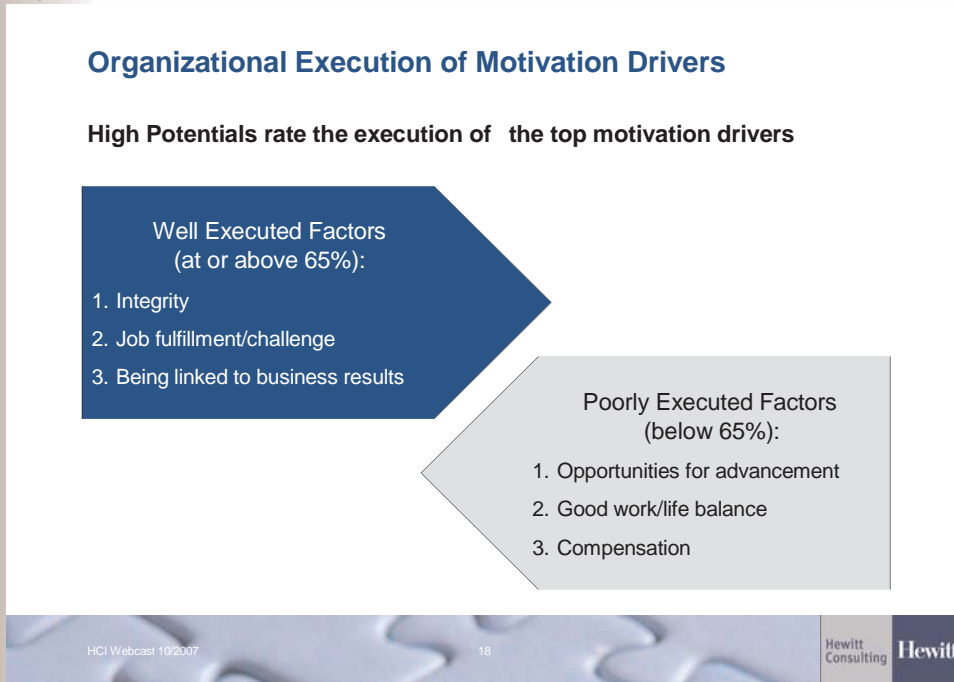
exposure, they want to be challenged intellectually and have the opportunity to be creative, she said.

that it is, both for financial gain and for the message it sends the employee.

Critical talent also want to receive compensation for their additional contribution. Though Greenslade said other studies have said this isn't a major motivating factor, the Hewitt study found

High potentials should be offered genuine opportunities for advancement. Greenslade says many organizations clearly identify their high potentials and then can't offer them room to grow in a timely manor.

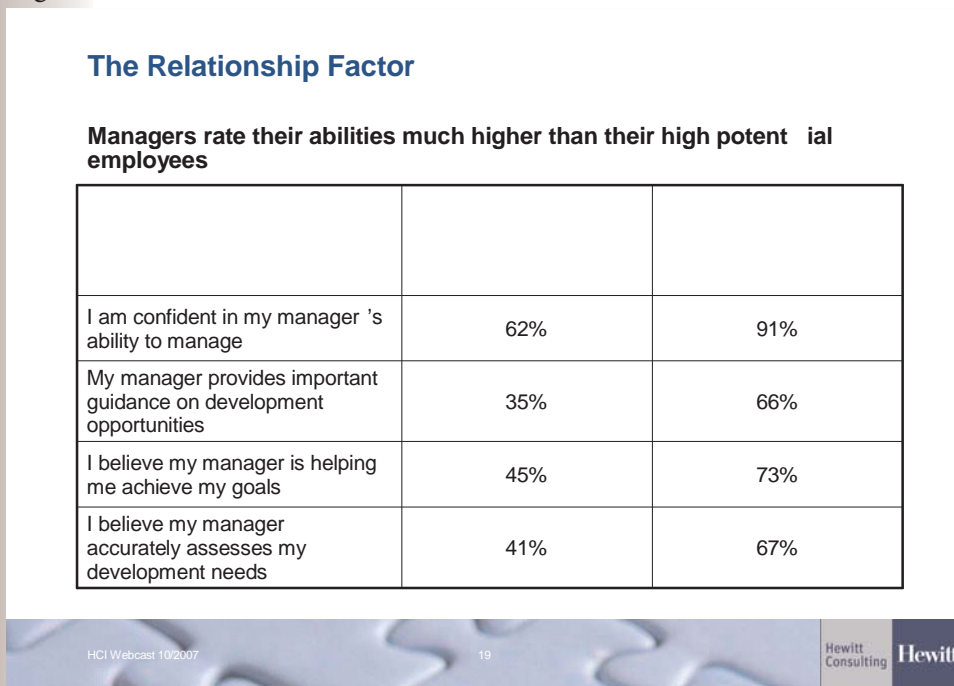
Figure 4



Like most modern talent, high performers are seeking a good work/life balance, including flexibility in how and when their work gets done.

Said Greenslade, "High potentials want to know how their contribution is making a difference to the business." In other words, they want to see how their individual results are linked to the business's results.

Figure 5



Integrity: Top talent are drawn to companies with high values and demonstrated strong ethics.

BARRIERS THAT BLOCK MOTIVATION

- Managers with an inflated view of their abilities
- A lot of talk but no action
- Organizational bureaucracy gets in the way

THE RELATIONSHIP FACTOR

Managers rate their abilities much higher than their high potential employees. See the graph below for examples of the disparity between the view of high potentials and that of their managers.

Greenslade sites several reasons for this imbalance. While managers may be good with business, many are poor relationship managers. They may also be too task focus and not connect well with their employees and not understand the true career aspirations or motivations of their high potentials who are often "wired differently" than fellow staffers.

Also, not all managers of high potentials are top talent themselves. They may feel envious or threatened by their top employees, said Greenslade, and may be hesitant to groom their talented employees for fear that they will "groom themselves right out of a position." Therefore, she said, "they may jeopardize their progress, whether intentionally or unintentionally."

Overall, managers may not be equipped to appropriately groom their top talent. If they are unsupportive in any way, it could hinder the organization's relationship with the high potential candidate.

CLEAR EXPECTATIONS

Top companies for leadership have greater transparencies in their talent management practices compared to other companies. For example, at the top companies, 100 percent of talent surveyed say they believe leadership competencies are well

aligned to overall business strategy, while only 79 percent agree from other companies.

THE RIGHT DEVELOPMENT

Greenslade outlines the top three most effective development practices for top talent. Those techniques include development assignments, global assignments and special projects and learning action. All three areas, she points out, are implemented significantly more in top companies. Top companies also drive growth through experience.

Other keys to long-term development of high potentials is early identification followed by challenging assignments and moving to different roles in the company. Also, placing top talent in leadership roles as teachers and mentors and matching them up with mentors of their own. They should also receive more quality exposure to senior management.

NO SUBSTITUTE FOR EXPERIENCE

Treat talent as a corporate asset, not as a development or geographical asset.

Greenslade said the top companies for leaders tend to provide their high potentials with important experiences such as the ability to change jobs often, cross functional experience, opportunities for quick advancement, managers who give responsibility readily and opportunities for geographic mobility.

In turn, Greenslade recommended companies offer higher pay for higher potentials, and to have this

formally laid out in their compensation plans.

BE TRANSPARENT

TALENT CALIBRATION

High potentials need to be evaluated and assessed on an ongoing basis and it needs to be grounded in reality. According to Salbo, this should not be a static process but rather an ongoing one. Assessment should be conducted by managers and leaders who actually know the individual. Relationships, she said, really are the key. Knowing the talent and spending time with him or her. This helps to ensure the assessments are as accurate as possible.

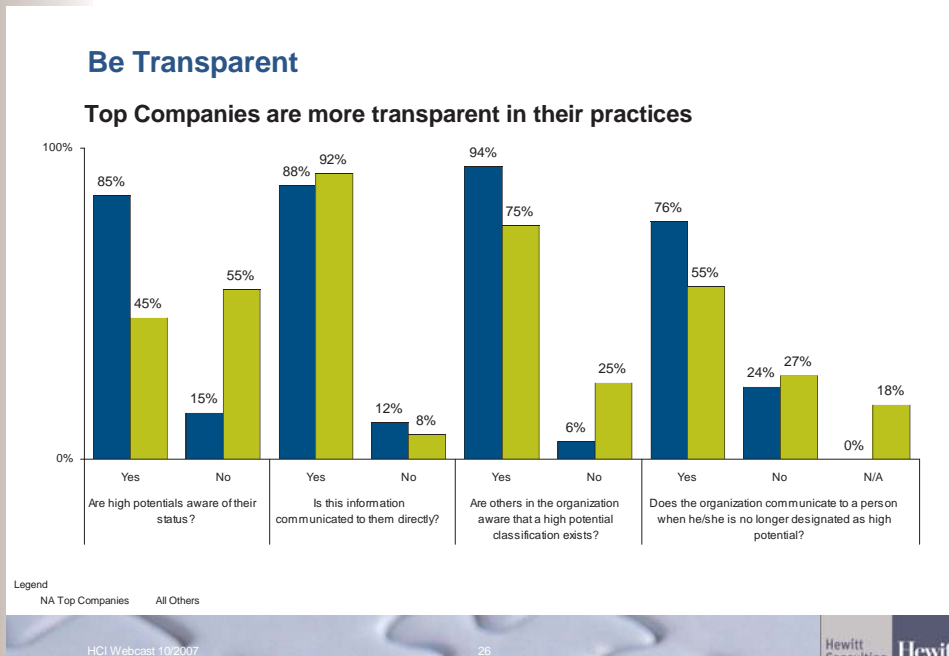
Top companies, said Salbo, review their top talent more often than other businesses. The review is no longer a once-a-year event, more and more managers are conducting evaluations semi-annually. Business leaders are also meeting with top talent more often in informal settings to get to know them better, to observe their strengths and weaknesses, to understand their interests and motivation and to provide guidance.

Top companies are more transparent with their high potentials that they are highly valued members of the organization. Salbo said high potentials should be informed of their status as a high potential. This information should be communicated to them directly. And, all members of the organization should be aware that the status of high potentials exists, possibly as a motivating factor for others to strive to be high performing.

The fluidness with which top talent are moved though the high potential program should be mirrored within the review of the program itself. Salbo recommends a steady review of the high potential practices and programs and then using those findings for continuous improvement.

Quoting a CEO who responded to a Hewitt survey, Salbo said, "Judging people for their skills and abilities, both today and in the future, is as much about art as it is science. The team you have running the business today may not be equipped to run the business tomorrow."

Figure 6



METRICS FUEL CONTINUOUS IMPROVEMENT

Many top companies use metrics to evaluate the effectiveness of their high potential process. One common belief, said Salbo, is that companies can always get better when it comes to leadership and programs. "We find across the board that the best companies are never sat-

ified with what they have," said Salbo. "They are always looking to continue to improve it."

Some of the more often used metrics for evaluation are:

- Performance ratings
- Promotion rate of high potentials
- Diversity in high potential pool
- Turnover rate (percentage of high potentials who leave the company)
- Percentage of high potentials removed from list

ACCOUNTABILITY

Overall, high potentials are a motivated group. Within the organization, however, there still needs to be accountability for their development, advancement and growth. Without accountability, organizational efforts to inspire those members are going to continue to fall short, said Salbo.

Accountability should start at the top of the house. Senior leaders are responsible for securing the bench strength of the organization. Leaders at all levels are responsible for their own advancement and potential as well as the development of other potential leaders.

In addition to holding senior leaders accountable, said Salbo, "Top companies really put their money where their mouth is." Compensation is often linked to both a leader's performance and his or her potential to advance. The type of compensation, however, varies from company to company. Some of the more popular modes of compensation are:

- Base pay
- Annual incentives

- Stock options
- Long-term performance plans
- Restricted stock

CONCLUSION

Summing up, the five keys to growing your talent bench are:

- Knowing who your critical talent are
- Understanding and delivering on what motivates your critical talent
- Reviewing and calibrating critical talent
- Measuring the effectiveness of high potential programs and practices
- Holding leaders accountable for cultivating critical talent

There has been an increased focus on critical talent, and that talent distinguishes great leadership from mediocre. Because of this, businesses are learning that there are foundation elements to dealing with high potential talent. Most organizations today are at least identifying top talent, conducting talent reviews, have succession management and link it to development and are developing talent in more meaningful ways, such as stretching their abilities and rotating them through the company.

In applying these initiatives, companies must commit, connect and embed. Managers need to commit to spend the time on identifying and grooming top talent. They need to connect with high potentials by building relationships with and giving them quality face time with top leaders. And finally, managers should embed by leading by example and creating development opportunities that stretch their top talent.

Based on the Human Capital Institute webcast, *What's In It For Us? How High Performing Leaders Develop High Performing Talent*, Thursday, October 4, 2007

PRESENTERS

James Donohue

Principal

Hewitt Associates

Jim is a Principal in Hewitt's Talent and Organization Consulting Practice based in our Minneapolis office. He has 15 years of consulting experience in all aspects of organization and workforce strategies and effectiveness, mergers and acquisitions, leadership, and talent management. He also serves as North American Leader for Hewitt's Leadership Consulting Practice. Prior to joining Hewitt, Jim was a senior manager at a global management consulting firm where he focused on organization change, talent management, and HR technology. Jim's current consulting activities with clients focus on linking People strategies to corporate/business strategies, leadership development strategies, workforce strategies and planning, mergers and acquisitions, measurement of HR/People processes, mergers and acquisitions, measurement of HR/People processes, culture change, and design/implementation of employee engagement interventions. Jim has worked with numerous organizations on addressing organization design, staffing issues, and People/HR strategies resulting from mergers, acquisitions, and spin-offs in both a consulting and project management capacity. He has been certified to interpret and provide professional development feedback using the Hogan Leadership Assessment inventories, a widely respected set of tools for selection and develop-

ment of executive leadership. Jim is also a qualified trainer and deliverer of Marshall Goldsmith's executive coaching methodology. Jim earned a B.A. in economics and religion from St. Olaf College and an M.M. (M.B.A.) degree from the J. L. Kellogg Graduate School of Management at Northwestern University. In addition, he has completed additional graduate work towards a doctoral degree. Jim also has served as a guest lecturer at the University of Minnesota's Carlson School and University of Pennsylvania's Wharton School and is a frequent speaker to local and national organizations. Jim's recent clients include: Allstate Corporation; American Express Corporation; Caterpillar, Inc.; Cargill, Incorporated; Deere and Company; Hormel Foods Corporation; Sprint, Inc.; SUPERVALU INC.; and TXU Corporation

Shelli Greenslade

Senior Consultant

Hewitt Associates

Shelli is a senior consultant in Hewitt's Research Practice, as well a member of the Talent and Organizational Consulting Practice's Insights and Innovations team. She designs and conducts original research studies on critical HR issues including leadership, high potential/critical talent, succession planning, talent management, and HR strategy. She has published a number of white papers and articles. Some of her recent projects include Top Companies for Leaders (2002, 2003, 2005, 2007), Getting to High Potential: How Organizations Define and Calibrate Their Top Talent, Taking Your Talent Pulse: How Motivated Is Your Top Talent to Deliver Top Performance? Articles include Growing Your Talent Bench--Do You Have What it Takes?, Applying lessons from the Top Companies for Leaders to maximize High Potential performance, and The Relationship Factor: How satisfied

are High Potentials with their Managers' efforts to manage and develop them? In addition to working with leaders in client organizations, she also collaborates with consultants, academicians and independent practitioners around the globe. She has managed Hewitt's Top Companies for Leaders research since its inception in 2001. Shelli is currently a doctoral candidate in Psychology and Human Development at the University of Chicago. She also holds masters degrees in Social Science Research and Psychology from the University of Chicago. She taught both undergraduate and graduate courses, and has served as a guest lecturer. Shelli is based at Hewitt's headquarters in Lincolnshire, Illinois, and can be reached at (847) 295-5000 or via email at shelli.greenslade@hewitt.com.

Michelee Salob

Senior Consultant

Hewitt Associates

Michelle Salob is a senior consultant in Hewitt's Talent and Organization Consulting practice. In this role, she consults with clients in the design and implementation of talent management processes and programs. Specific areas of focus include leadership development and strategic talent management including performance management and career development. In addition, Michelle has led Hewitt's Top Companies for Leaders global research since 2004. Her clients have included BellSouth, Capital One, Catholic Health Initiatives, Lucent, MeadWestvaco, Southern Company, The Coca-Cola Company, United Parcel Service, and Wachovia. Michelle has authored several articles and white papers, including Top Companies for Leaders research papers in 2005 and 2007, and Growing Great Leaders: Does It Really Matter? Highlights of Michelle's recent consulting engage-

ments include: Development of leadership competency models for organizations in the technology and mails services industries. Creation of a leadership development strategy and tactical plan for a healthcare company. Design and development of performance management processes and tools for organizations in the financial services, higher education, technology, and healthcare industries. Creation of an executive education course on organizational efficiency for a large financial services company >p> Design and development of talent acquisition processes and programs for large consumer products and telecommunications organizations. Prior to joining Hewitt, Michelle worked with a public sector consulting firm specializing in organizational development and career coaching. Michelle has an M.B.A. from the Robert H. Smith School of Business at the University of Maryland. She also earned her undergraduate degree in History and Psychology at the University of Rochester. Michelle is based in Atlanta, Georgia.

MODERATOR

Joy Kosta

Director, HCI Communities

The Human Capital Institute

As Director of Talent Development and Leadership Communities at The Human Capital Institute, Joy brings twenty-five years of experience in multiple facets of organizational development, human resources and business management with an emphasis in customer satisfaction, service quality, process improvement, and applying the Malcolm Baldrige Criteria for Performance Excellence. As founder and President of Performance Partners in Health Care, a company dedicated to building better patient experiences, she has authored several curriculums in leadership and staff development,

and co-authored with Harold Bursztajn, MD Senior Clinical Faculty member, Harvard Medical School, Building a Treatment Alliance with Patients and Families.

ACKNOWLEDGEMENTS

This White Paper is made possible by Insala, sponsors of HCI's Next Generation Leadership Track.

ABOUT INSALA



Insala is a leading global provider of technology for career services and talent management initiatives that support the entire employee lifecycle. Insala provides employees and employers with the finest, personalized online solutions and is an innovator in the development of interactive human capital solutions. Insala brings information, technology and education to a broad and diverse audience by continually delivering high quality, cost effective solutions. In addition to branded products, Insala offers consulting, web technology solutions and services, as well as career research services to the career management industry and organizations in all industry verticals. Insala is headquartered in Dallas/Ft. Worth, Texas and the UK with offices in Johannesburg, South Africa and Paris, France. For more information, visit www.insala.com or contact Insala at info@insala.com

ABOUT THE HUMAN CAPITAL INSTITUTE

The Human Capital Institute is a catalyst for innovative new thinking in talent acquisition, development and deployment. Through research and collaboration, our programs collect original, creative

ideas from a field of top executives and the brightest thought leaders in strategic HR and talent management. Those ideas are then transformed into measurable, real-world strategies that help our members attract and retain the best talent, build a diverse, inclusive workplace, and leverage individual and team performance throughout the enterprise.

The Human Capital Institute gratefully acknowledges the financial and volunteer contributions of our global sponsors and underwriters. They include:

- Adecco
- ADP Major Accounts Services
- AIRS
- Allegis
- Authoria
- Axiom
- Axsium
- Bernard Hodes Group
- Broadlook Technologies
- Buck Consultants
- Center for Talent Retention
- ClearPicture Corporation
- Cornerstone on Demand
- CustomInsight
- DBM
- DDI World
- Dice
- DNL Global, Inc.
- EmployeeContinuum
- Fidelity Employer Services
- First Advantage
- Halogen Software
- Hay Group
- Hewitt
- Hiredesk

- IBM
- Illuma
- Infor (Workbrain)
- Infohrm -
- Insala
- JWT Employment Communications
- Kelly Services
- Kronos
- The Ladders
- Menttium Corporation
- MHS
- Monster Canada
- Monster.com
- MonsterTRAK
- Multi-Health Systems
- MyBizoffice, Inc
- NAS Recruitment Communications
- The Newman Group, a FutureStep Company
- Oracle
- Padgett Performance Group
- Peopleclick
- Peoplefilter
- Plateau
- PreVisor
- The RightThing
- RPO Worldwide
- Saba
- SelectMinds
- Sequent
- SilkRoad
- SkillSurvey, Inc.
- StepStone Solutions
- SuccessFactors.com
- Taleo Corporation
- TowersPerrin -
- TMP Wordwide
- Trovix
- Vangent
- Veritude
- Vemo
- Vurv Technology
- Workstream
- Yahoo! Hot Jobs