



Insights from The Clarion Institute

Do You Have the Right Talent and Capabilities to Grow?

A Post-Recession Look at Talent and Capabilities

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As organizations emerge from the most recent economic environment, senior leaders must do a purposeful rethinking of long-term goals, strategies and methods of execution. During the past year, leaders have focused intently on dealing with the economic contraction. With the recent indications the recession is easing, they need to shift their focus from survival to growth. For many public companies, expectations will begin to rise for 2010 to be an income growth year. For most, that means top line growth – there just isn't any more that can be cut from expenses. The challenge for leadership will be to find new avenues of growth.

To the degree those new avenues will be different than pre-recession engines for growth, new business models may emerge. New business models and the growth in new directions will require a wholesale assessment of talent and organizational capabilities needed to drive the change. As Larry Bossidy and Ram Charan pointed out in their book, *Execution*, "business leaders must create the link between people and strategy by making sure they have the right kinds and numbers of people to execute the strategy." Now is the time for a strategic focus on talent and capability required to support sustainable long-term growth in the ever-evolving economic climate. The question is: will the existing talent practices be capable of delivering on higher levels of growth while informing leaders of where they are at the greatest risk of losing essential

talent. In this article, we share talent management best practices we have observed, used and guided clients on. We suggest you conduct an audit to determine if your talent approach is ready for the job at hand.

Potential Pitfalls of Talent Practices

Talent is not a new topic for most businesses and substantial investments in talent management resources have been made over time. However, the reviews of their effectiveness are mixed. Both the practice framework and the underlying assumptions should be examined. Potential pitfalls include:

- Range of levels: Top leaders, not just middle or line managers, may require new capabilities
- Time horizon: Emerging markets, strategies and practices require new capabilities which will have to be developed or acquired quickly
- Generational differences: New generations of talent have different needs requiring differentiated consideration
- Development methods: Relying only on traditional classroom approaches of development is neither viable nor financially efficient
- Personal touch: Talent needs to be nurtured, particularly in difficult and

uncertain times or they will leave when the turmoil subsides

Essential Components

With these pitfalls in mind, there are four components of talent and capabilities management that can provide helpful guides as you examine your current practices. Each of these components is essential to enabling your business to respond to the rapidly changing market dynamics and growth requirements.

- 1. Strategic Organization Review** – Taking a broad strategic view to gain cross-organization leadership alignment
- 2. Capability Requirements Segmentation** – Segmenting across dimensions of time and strategic criticality
- 3. Talent Risk Assessment** – Understanding who is at greatest risk to leave, how important they are to long-term business performance and what retention strategies should be developed
- 4. Capability Development** – Identifying the crucial capability needs and most viable development options to deploy



Strategic Organization Review

The purpose of conducting a strategic organization review with the executive leadership team is to create understanding of and leadership alignment around the evolving (and sometimes dramatically changing) business model. This is followed by the defining of short and long-term talent and capability requirements needed to drive

higher levels of business performance. The operating model or go-to-market strategy will likely have shifted given the recent economic environment. An open dialogue around the key organizational issues, opportunities and marketplace trends expected to impact current and future business performance will be critical to gaining alignment.

Typically, such a strategic review includes exploration of several key focus areas across line and support functions:

- External marketplace trends
- Evolving business requirements
- Potential organization changes required in process, structure, roles, culture/behavior
- Talent landscape and identified gaps (at a high level)
- Capability requirements and intervention alternatives (at a high level)

A thoughtful analysis, integrating thinking about external trends with talent and capability requirements, encourages an “outside-in” point of view rather than a more insular “inside-out” point of view. For example, trends such as customization and segmentation on the commercial side of the business or increasing compliance demands on the administrative services side of the business clearly impact required talent and capability.

The process for conducting the review is straightforward. This is not to say that it will be easy: it can be quite challenging, but it can also be energizing as the new direction becomes clearer. A common starting point is conducting individual interviews with the GM or CEO and the top leader of each function. This results in the identification of key themes in each review area. This then concludes with a facilitated dialogue with the top leadership teams: outlining the results; gaining consensus on the business model and the capabilities required to achieve higher performance; getting agreement on high level next steps to address perceived capability

shortfalls in critical areas. To deliver high business performance, the top two to three levels of the organization need to be strategically aligned regarding changes in the marketplace, the evolving business model and their impact on the business which ultimately drives talent and capability requirements.

Capability Requirements Segmentation

Talent and capabilities are very much integrated: the people who have the skills and the actual skills themselves. This component focuses on the capabilities/skills;

the next component focuses on the people who use those skills to meet organizational needs. The organization as a whole and the individual functions of the organization will benefit from evaluating their capability needs from two perspectives:

- Their criticality to strategy execution
- The time frame within which they are required (short-term and longer-term)

A tool (closely aligned with the Corporate Leadership Council’s thinking) to guide this exercise in mapping capability requirements is shown below:



This analysis might help determine, for example, whether decision-making or consumer insight capabilities are required for long-term strategic development of the business (upper right box). Or it might clarify, for example, that accounts payable capabilities are in the upper left quadrant for an accounting firm, but in the lower right quadrant for a software development firm. The next question to examine is: where are the most critical capability gaps?

As a result of this examination of capabilities/skills across functions, the organization will be able to identify the critical *roles* in the line and staff functions over time. A critical role is basically one that cannot remain open. Critical roles need to be filled with people capable of continuously raising their game and truly wanting to make a difference. A constructive dialogue with the executive leadership team can explore critical roles in terms of:

- Delivery - Overall impact on business: disruption, key relationships, bottom line
- Growth - Executing strategy and driving change
- Expertise - Competitive advantage, hard to fill, intellectual capital, knowledge transfer

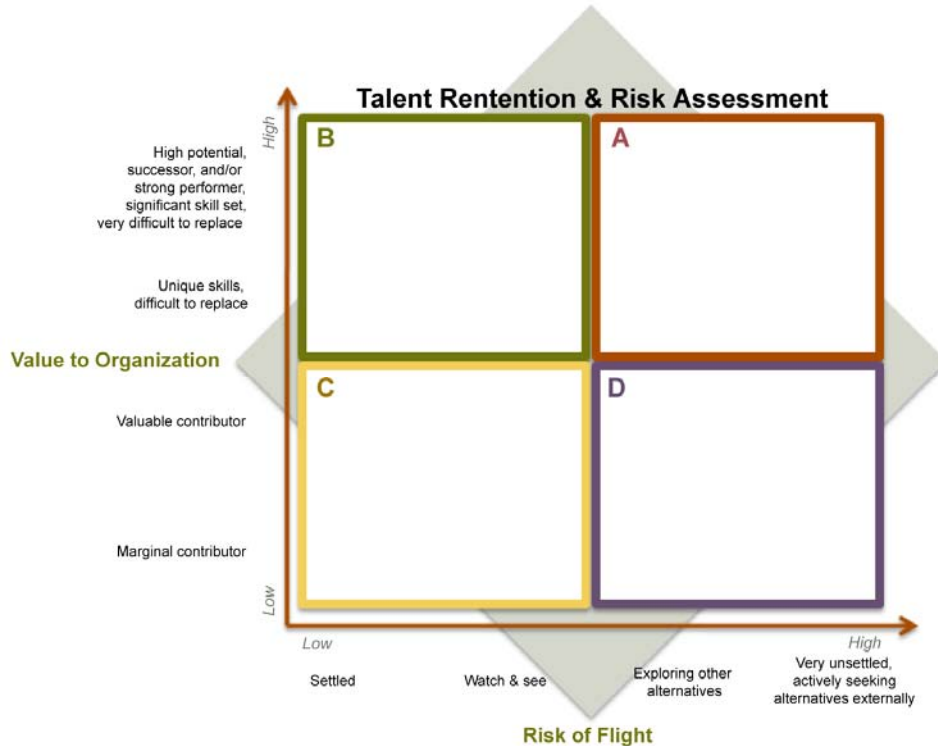
This discussion can further enable identifying feeder roles that are critical to the development of future talent, thereby aiding in career and succession planning of top talent. The dialogue can also facilitate an understanding of how the organization can better leverage diversity and inclusiveness across functions.

In further exchanges, the executive leadership team can explore the new ways of working required to support a potential new business or operating model. This includes the behaviors required to implement new strategies and ways of getting things done. Since the current culture likely reinforces old behaviors, it may undermine the required changes. Ultimately, this can lead to an entirely separate exercise on cultural change and development.

Talent Risk Assessment

With the recent focus on cost reductions and other tactical execution issues to ensure short-term viability, business leaders have likely spent less energy managing their talent risk. The recent economy lent itself to a “buyers market” mentality. While this mindset may have been inappropriate in terms of sourcing and retaining top talent, it is understandable. However, in a post-recession economy, the “war for talent” will begin to be waged again, although perhaps with a different focus. It is important to agree on what critical talent, aligned with the needs of the emerging growth model, will need to be retained. After conducting the previous exercise on capability requirements and critical roles, it will be clearer to the executive leadership team who, in particular, needs to be retained. The retention risks now need to be more closely explored.

Looking at individual talent, evaluators should ask: What would the adverse impact be on the organization if this person were to leave? If this person left, what would we do to replace them? A cross-functional exercise is recommended using the following tool:



Instructions

Place individuals in the appropriate box based on assessment of both their value to the organization and their risk of flight.

Determine appropriate action plans for high risk individuals. Those in Box A should ideally have a scripted dialogue, retention plan and contingency back-fill plan.

As part of the process of retaining top talent, it is advisable to provide those in the top talent pool with feedback about the organization's view of their leadership potential. HR can help create a scripted dialogue for this purpose.

Capability Development

As new business models and strategies emerge, business goals will require a significantly higher level of business management capability (such as understanding and operating in an environment with high degrees of cross-functional interdependencies) as well as leadership (such as helping others navigate through continuing and dramatic change). It's important to realize that top leaders, themselves, require the development of many of these capabilities in order to deliver on new strategies.

Organizations must provide development opportunities that build skills, experience and knowledge to deliver business results. These efforts must align with business strategy, objectives and the desired culture. In order to meet these requirements, the capability development approach must address different types of capabilities (core capabilities, functional capabilities, professional skills, business awareness) utilizing a broader variety of delivery vehicles (e-learning, on-the-job training, internal classroom training, and external public classroom training). HR may need to challenge some old thinking about developing new skills, experience and knowledge. Approximately 70% of development occurs on-the-job and outside of traditional formal training classes; therefore, providing future leaders with challenging assignments or initiatives is both more effective (they develop and practice new capabilities) and more efficient (positive ROI).

In the past, being placed on a "special project" might have indicated that a leader was on the way out. Organizations must change that mindset because experiential learning, with its real successes and mistakes, is priceless.

It is worth remembering the array of time-tested developmental assignments:

- **Job shadowing:** partnering with another function in the value chain to learn more about upstream and downstream processes for short but planned periods of time
- **Special projects:** one-time projects or temporary assignments, often as part of a team or task force
- **"Fix it" or trouble shooting assignments:** short-term assignments in which an existing operation currently plagued with problems is dismantled and reconstructed
- **Job rotation:** moving into a new position for a time to enhance current skills or knowledge
- **Expanded responsibilities:** increasing the scope of a position by expanding existing responsibilities or adding new ones, e.g., new geographies, disciplines and/or direct reports
- **Start-up ventures:** assignments that require launching a business venture, such as introducing a new product or process or managing a new plant
- **Partnerships or Alliances:** developing collaborative partnerships with suppliers or subject matter experts to meet a strategic goal

The HR team can provide a roadmap that uses a blended learning approach to meet the rapidly changing dynamics of operating a business. The organization will need to provide guidance regarding their critical business requirements and realistic investment for such development activities in order to manage expectations.

Are You Ready?

What will be important for talent management as organizations emerge from the current turbulent economic times? In a nutshell – it's looking at talent in a more

strategic way. As organizations begin to explore potential new ways of growing and operating in a post-recession environment, it will be crucial that their talent and capability needs align with their strategic goals.

Organizations need to answer this critical question – what are the talent and capability requirements most critical to your long-term growth strategy and are you ready to deliver?

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