RETHINKING TALENT MANAGEMENT IN DOWNTURNS

Given the centrality of talent to organisational success, it is difficult to imagine a more pressing business imperative. Yet, short-termism – the transactional and financial short-term orientation that prevails in corporations – deflects management attention from longer-term issues such as talent sourcing and development. Today's fixation on headcount and cost-control – with investments in talent intangibles being expensed rather than capitalised – add to the pressures to cut discretionary expenditures for the sake of short-term earnings. This transactional thinking may be self-fulfilling: a lack of talent blocks growth, creating additional pressure on performance that further diverts the attention and mindset needed to build capability over the long-run.

This disconnect is closely linked with the need for C-suite executives to increase their firm-wide alignment efforts for well-articulated strategies on how talent will be grown in their businesses over the long-run, with the agility and flexibility to respond to different cycles and climates. The right governance practices and goal-related scorecard are essential. So is how people are engaged and treated when economic times are tough.

EXECUTING STRATEGY AND STRATEGIC OPTIONS

Insight: As companies need to compete in differing and changing situations, the need for adaptability and exploiting opportunities has accelerated. No advantage and no success are lasting. You need to give yourself the capacity to respond. Strategy is more and more a series of options along a continuum. It is determining responses, which position you to act – when you choose, when the opportunity presents or the future becomes clearer. As Peter Drucker stated: 'results are obtained by exploiting opportunities, not by solving problems.'
Solution: Design choices are critical for a dynamic talent strategy that has both the flexibility and optionality to avoid constraints on business. Impatience or a narrow focus on HR processes can shift attention from a broad, longer-term building of capability. A nine-box or a replacement plan is an important litmus test, but they are outputs. Talent management design philosophies (and deployment) must be aligned to strategy derived from context - how the company needs to be positioned for growth, competitiveness, the external climate and its internal culture.

Insight: Executives can act on their rhetoric about people creating competitive advantage if they focus on all workforce segments (not just the A-list) and create different value propositions for those with different characteristics. Companies also have different challenges in different markets - in the West it is shortages of technical skills, an aging and shrinking workforce and complex employee relations; in emerging markets it is under-developed softer skills of managerial capabilities.
Solution: Frontline or technical specialists are as critical to overall success as high-potentials. A more inclusive approach involves thinking of the workforce as a collection of talent segments that actively create or apply knowledge. Although regions or divisions need different solutions to meet their own strategy drivers, a firm-wide lens exploits advantages.

Insight: Most investments on talent are not extracting real value and typical talent management practices fail to deliver what is needed. Boards, CEO's and Executive Committees are highly aware of the need to improve their ability to find and develop better executives so their business performance will not suffer. Awareness is not unified execution.
Solution: The specific accountabilities of leaders at all levels, starting with the C-suite, must be set through a goal-related talent-scorecard that links to incentives and consequences. Governance procedures should unify delivery across silos, assessing risk and execution gaps.

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PRESERVING TALENT INVESTMENTS

Insight: Elite talent always have options and continually assess the attractiveness of their companies. Complacency regarding their level of engagement and connectedness during economic downturns is not wise. People look for signals as to how others are treated when times are tough. They also want to connect with their leadership and Boards, looking for reassurance that their contribution and potential are valued.
Solution: The concept of brand is well known. Leadership brand is a synergistic combination of core and differential qualities including the quality and integrity of the leaders that make up the executive team, the company's ability to identify and develop leaders and how this personally impacts individual growth and promotion prospects. Leadership matters and so does a sustainable leadership brand that is valued by the marketplace – and the people within the organisation.

Insight: Boards often have only a limited knowledge of their key talent. Contact made at board dinners is rarely adequate to assess the suitability of managers presented to them for promotion.
Solution: Directors, as with the C-suite, need to devote more time to their emerging leaders including on-site visits, addressing rising talent during development programs and inviting high-potentials to make Board presentations. The CEO and Chief HR Officer should be held accountable for the in-depth talent review, the talent risk assessment report and establishing the governance requirements for an aligned and unified talent strategy. By protecting the time set aside to discuss talent, Boards will not only have some knowledge about their high-potentials for succession and promotion purposes, they will also take a risk management approach to the consequences and interventions associated with the lack of the right talent. They can use cyclical downturns to strengthen, retain and up-skill the talent pool.

Insight: The key to people contributing and fulfilling their leadership capability is also a question of personal alignment – of the individual's beliefs and intentions with the company's promises and actions.
Solution: The strongest driver of employee engagement is feeling valued and involved. Involvement in decision making, including their own careers; the extent to which they can voice their ideas; and having managers who listen to these views valuing their insights, all send important signals. The opportunity to develop their jobs and the extent to which the company is concerned for their health and wellbeing build on engagement levels. Promises made in times of growth and actions taken in economic downturns are in the spotlight.

FROM INSIGHTS TO ACTION

An effective and sustainable talent strategy will: **1.** Use the business context and talent segmentation to shape talent management design choices for greater flexibility, agility and optionality **2.** Ensure talent philosophies and deployment derives from how the company needs to be positioned for growth, competitiveness, the external climate and its internal culture. **3.** Regard talent development as long-term investment **4.** Utilise risk management, accountability measures and governance practices for unified execution **5.** Capitalise on leadership brand, engagement drivers, C-suite and Board level involvement. **6.** Use economic downturns to strengthen, retain and up-skill the talent pool.

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