

Shaping the Future of Talent Management

HR's Critical Role in Creating a Sustainable People Advantage

By Thomas J. Fuller

The following is a transcript of a speech delivered by Tom Fuller, general managing partner of Epsen Fuller/IMD International at Hunt Scanlon's Human Capital Conference, "Workforce Strategies for Global Employers", at The Metropolitan Club in NYC.

Throughout history, talented individuals have risen above the known limits of their time. Where would the world be without the great minds of Einstein and Leonardo da Vinci?

At the same time, world shaking accomplishments have demanded individual genius and the teamwork of thousands. The magnificent cathedrals in Europe, the Pyramids of Egypt, the Panama Canal, and the 1st Lunar space walk all emerged through the collective efforts of countless talented people.

People *can* make a difference if they dare to believe in creating advantage for themselves, their communities, and their future.

The pace of change has accelerated dramatically in recent decades, producing seismic changes in business and society, and people are more important than ever to success... and their importance will only grow in the future.

Companies are complex social systems that require clarity of purpose...and guidance. Companies that fine-tune these systems by creating a people advantage will race ahead of their competitors.

- ⇒ Talent is scarce and getting scarcer
- ⇒ The workforce is growing older and the generations behind the boomers leave a tremendous shortfall in sheer numbers
- ⇒ Globalization is happening at warp speed
- ⇒ The emotional well being of employees is more important than ever to achieve true employee engagement

While HR challenges are greater than ever before, so too are the opportunities for companies to excel through people strategies.

So, I will repeat a question posed to this audience last year. HR has been asking for a "seat at the table", and in large part has achieved that. Now what?

Kevin Cox, executive vice president of human resources at American Express, in his address to this audience one year ago, said CEO's seem to have an open ear...but the question is...what are you saying? What are you delivering that truly adds value?

We all remember the infamous article in Fast Company that appeared in 2005, *WHY WE HATE HR?* It stated that HR long ago proved itself, at best, a necessary evil; and at worst, a dark bureaucratic force.

Since then, the global market for talent has gone from 'critical' to "intensive"...as in

life or death, for most companies. In 2007, the Economist reported that human capital risks had become the number one risk to global business operations. Deloitte recently reported the greatest business challenge was in finding enough talent.

So now the question is, will HR take advantage of the opportunity that our nascent "AGE OF TALENT" presents, or will it remain a dark bureaucratic force?

And equally important, will the search consultants in this room be of any value to moving them forward?

Certainly, HR challenges are getting respect. Spending on HR technology is at an all-time high. Talent management is now part of the corporate lexicon, and has become a board room concern.

Some who study the HR profession suggest there is a lack of expertise in business proficiency and knowledge...that HR

is unprepared to address their current key challenges, let alone those of the future.

⇒ HR must be able to measure, count and calculate the effectiveness of both its internal operations as well as the company's overall people strategies.

⇒ One reason HR ranks lower on the corporate totem pole than the finance function is that HR managers often cannot quantify their successes. Of course, we would like to think that the senior HR executive should have the same power and status as the CFO.

To raise the profile of HR to its proper place in the corporate hierarchy, and enable companies to create a sustainable people advantage, the people strategy must be the cornerstone of the corporate strategy.

HR alone cannot execute a people strategy...it takes an

About the Author



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Tom is a frequent speaker on leadership and high-performance organizations and creative talent acquisition. While active in many civic and community organizations, Tom is President of Freedom Riders Cycling Club, a not-for-profit cycling team dedicated to Cancer research.

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effective and trusting partnership between line managers, HR, and external partners, such as strategic search consultants.

One of the difficulties HR faces is the challenge of comparing their practices and performance with their competitors. CFOs can scan their Bloomberg terminals to discover the financials of their competitors. Likewise, CIOs learn about their competitors systems from their vendors or through trade publications. By contrast, HR executives have not had a place to go for competitive intelligence. This is an area where a close partnership with a search consultant can create value beyond the search transaction.

Today, and for the foreseeable future, companies face critical HR challenges that fall broadly into 3 strategic buckets:

- ⇒ **Managing Talent** - attract, develop, and retain the best possible talent
- ⇒ **Anticipate Change** - demographics, M&A cultural transformation, globalization
- ⇒ **Enable the Organization** - transform HR into a strategic partner

Companies that can meet these challenges head on will build and sustain a competitive people advantage. HR is running fast and furious to succeed at the first...managing talent; however, numerous studies indicate

they have a long way to go in delivering on the second...anticipating change and enabling the organization.

I would contend that the search profession has even further to travel to be a significant value to HR in meeting this challenge.

So, what is the view of talent and the status of the C-Suite?

To give us a snap shot of the C-suite and its shifting demographics, our firm Epsen Fuller IMD International, in coordination with our 23 partners worldwide, conducted a global survey of the world's largest 2000 companies...the Global 2000 throughout the Americas, Europe and Asia. Some of the findings, while perhaps not surprising, do highlight the critical need to move HR beyond the transaction level and into a key role of linking people strategies to the business strategy.

- ⇒ Respondents were senior HR leaders whose representation was 65% from Europe, 30% from North America, and the balance from Asia; a broad cross-section of company size was represented both in revenue and number of employees, as well as their scope of global operations;
- ⇒ When sizing up the C-Suite, we found that nearly 50% of the current CEOs, CFOs, and COOs had been in office for only 3 years or less. Only 10% or less of each of the three top positions were held by women; and the same is true when speaking of ethnic minorities...less than 10% in the top three spots.
- ⇒ 20% of the top three positions were held by a nationality different than that of

the HQ location, perhaps speaking to the globalization of our organizations.

- ⇒ Unfortunately, an overwhelming percentage of our respondents - over 77%-admitted there were no concrete plans on increasing diversity of any sort at the C-Suite level over the next three years, even though an equally large percentage...78%...agreed that increasing senior executive diversity is important to the long-term success of the company.
- ⇒ When looking at talent shortage and succession, we found nearly 1/3 of today's CEOs come from the outside while 50% of the CFOs are external hires...further highlighting executive turnover as a pressing issue.
- ⇒ Yet, while nearly 80% felt that talent acquisition is more difficult today than just 3 years ago, only 30% of our respondents indicated they have an identified successor to those critical roles currently in place.
- ⇒ And perhaps of no surprise to everyone in HR, while over 60% say they engage in proactive succession planning, only 40% believe those efforts are making a tangible and positive impact on their talent quotient.

So succession planning, even with all the supposed attention it has been given of late, is a critical issue. And yet, according to one respondent, "Even if succession planning is a top concern, it is still considered as a theoretical exercise instead of a pragmatic exercise, at least at the top level."

CEO's and management boards must make talent management in the C-Suite a top priority, if not their #1 priority. The repercussions of poor leadership have become too serious to

ignore. And yet our survey results show that only 11% consider talent at the board and C-Suite level at the top of their priority list .

Search partners must share the responsibility in not only acquiring the right talent to fill vacancies, i.e, transactions, but also as a strategic partner to HR in elevating the dialogue concerning the people advantage organizations need to remain competitive, and assisting in planning a people strategy for the company's future.

This is where a true consultant can add value.

Talking about importance of shared responsibility in both talent acquisition and succession planning...being a strategic partner...what does this mean?

- ⇒ Providing talent mapping and competitive analysis,
- ⇒ Assessment of business objectives and talent requirements,
- ⇒ Talent pipeline development...and,
- ⇒ Most importantly, providing clear direction to the hiring managers instead of just feeding them what they want to hear

These are just a few of the areas in which search professionals can truly add value and assist HR to create a true people advantage in their organizations.

Pushing clients to consider the out of the box candidates, and doing so by making a compelling business case, or to take risks by hiring the "diamond in the rough"...isn't this what we are being paid to do? To be a consultant, not just a body snatcher?

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Robert Polet started his career at Unilever and eventually became president of their \$58 billion consumer products company's ice cream and frozen foods division. The Dutch national is now the CEO of the design fashion label Gucci.

When Polet made the move in 2004, the lead paper to the fashion trade quipped, "What do frozen fish and ice cream have to do with \$8,000 crocodile handbags?" Well, turns out Polet has proved the skeptics wrong.

In 2007 Gucci reported 44% increase in income from 2006. And Gucci reported that it maintained its strong growth momentum in Q2 2008, with a 16% increase in sales on a comparable basis, as the overall market environment remained favorable despite the impact of the currency situation.

Poulet is an out of the box candidate, found by a headhunter, who delivered terrific value to his new organization. There is great value in multi-company/industry experiences and environments and it's the search professional's responsibility to point this out to our clients.

How to make search and HR work together to be invaluable participants in the creation of people strategies?

⇒ Maintain an ongoing dialogue with your client/ HR Chief/CEO (remember - a seat at the table means you in with the CEO and all top management) even when there is no vacancy to fill.

- ⇒ Invite your search partners in quarterly for a check-in meeting, where current searches are not on the agenda. Liz Ryan, who writes the "Career Insight" Column for Business Week, used this strategy when she was on the corporate side of HR...she found that partnering with trusted search colleagues is one of the highest -yield moves an HR leader can make.
- ⇒ Be creative: Search partners should be tied closely to formulating human capital plans, specific to the business opportunities and challenges, with their clients. These should be programs developed specific to these needs as every clients needs are unique.
- ⇒ In light of C-Suite turnover, search partners should be part of the team to develop an emergency CEO succession
- ⇒ Look to your search partner to assist in creating an employee value proposition, as a true employment brand that appeals to employees (not just top management). There are four generations in today's work place and companies are struggling to create work-place experiences that appeal to individuals' diverse needs.
- ⇒ Develop a search and talent acquisition strategy that offers both processes and solutions. It's time to stop being reactionary and start being strategic.
- ⇒ Engage search professionals who have proactively expanded their human capital perspective and services; the profession must evolve... the landscape and its human capital needs are changing whether you like it or not.

Our collective seat at the table, and how long we have it, is directly related to the relevance and impact we can make in driving a clear people advantage for our organizations. How are you using your seat?

Many of you are probably bracing for a down turn in light of the softening economy and crisis on Wall Street. And given history, it's probably a safe assumption. Which is why this is a critical time to evaluate your seat at the table.

External forces will inevitably play a part in shaping the evolution of HR, but HR executives, must also drive the necessary changes.

A daunting set of skills will be required.

The modern talent management executive will be multi-disciplinary - a strategist, psychologist, leader, coach, consultant, and among the company's most knowledgeable authorities on globalization, outsourcing, sustainability and corporate responsibility, not to mention technology, finance and governance. Oh yes...and they must be an expert on the organization's business and competitors.

The critical resource in business is no longer capital, but employees who must be motivated, developed and retained. And beyond just providing data analytics and measurement, HR will be challenged, like the rest of the business, to foresee, respond to and act on the threats and opportunities brought on by globalization of the marketplace.

HR's transformation will be built on 3 pillars:

- ⇒ Alignment with the business objectives both near and long term;
- ⇒ Talent management and its integration into the corporate strategy; Transfer of the day-to-day transactional management to line managers and competent staff members who can implement programs efficiently and without business interruption.

A good search consultant can help you get there. Let's face it...demographic shift alone is creating a new relationship between the business cycle and search assignment....and gives executive search consultants the opportunity to call their plays from a play book written by them. If this optimism is borne out, it serves as a warning siren...a call to action...to those organizations that fail to develop people strategies in synch and in tandem with their corporate strategies... and those that fail to bring their search consultant to the table with them.

The age of talent is upon us. The HR profession remains the best suited to drive competitive advantage through talent management. But time is running short! Together we must define a new HR mission and help organizations meet the challenges of the 21st century.