

What's Your Talent Philosophy?

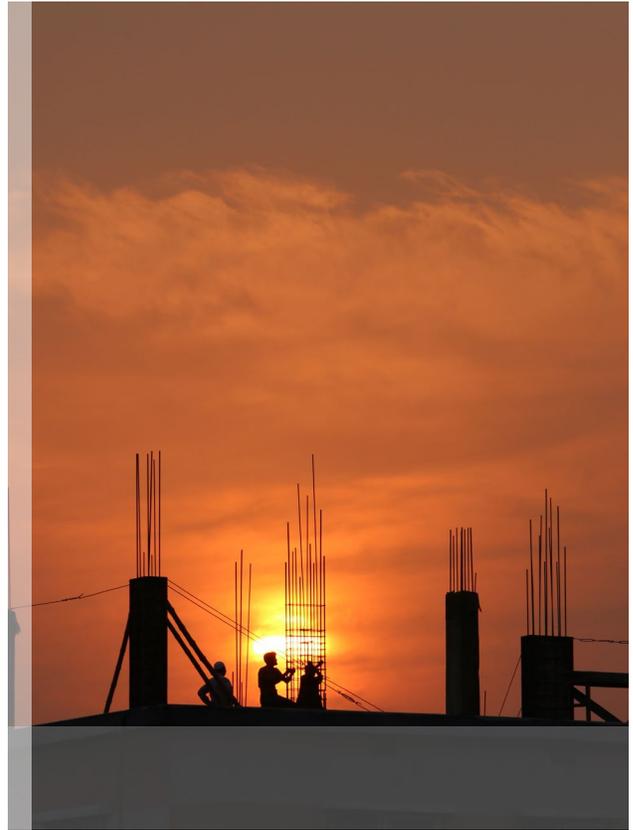
The original article and observations after five years.

The foundation of successful talent management doesn't lie with your strategy, practices or technology. It's created when your executive team agrees on how to best manage talent to achieve your business strategy.

by **Marc Effron**, Talent Strategy Group

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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.

Without a Talent Philosophy, managers will rely on their personal preferences to guide how they grow and manage their teams.

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 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 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 out-sized 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

Understand Your Company's Talent Philosophy

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

- 1. 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?
- 2. Behaviors:** To what extent do a manager's behaviors impact their career progress and compensation today? How much should they in the future?
- 3. 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?
- 4. Transparency:** How transparent are we today with employees about their career potential in our organization? How transparent should we be?
- 5. Accountability:** How accountable are managers today for increasing their team's engagement? How accountable should they be in the future?

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 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?

- **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 developing and managing their teams?

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.

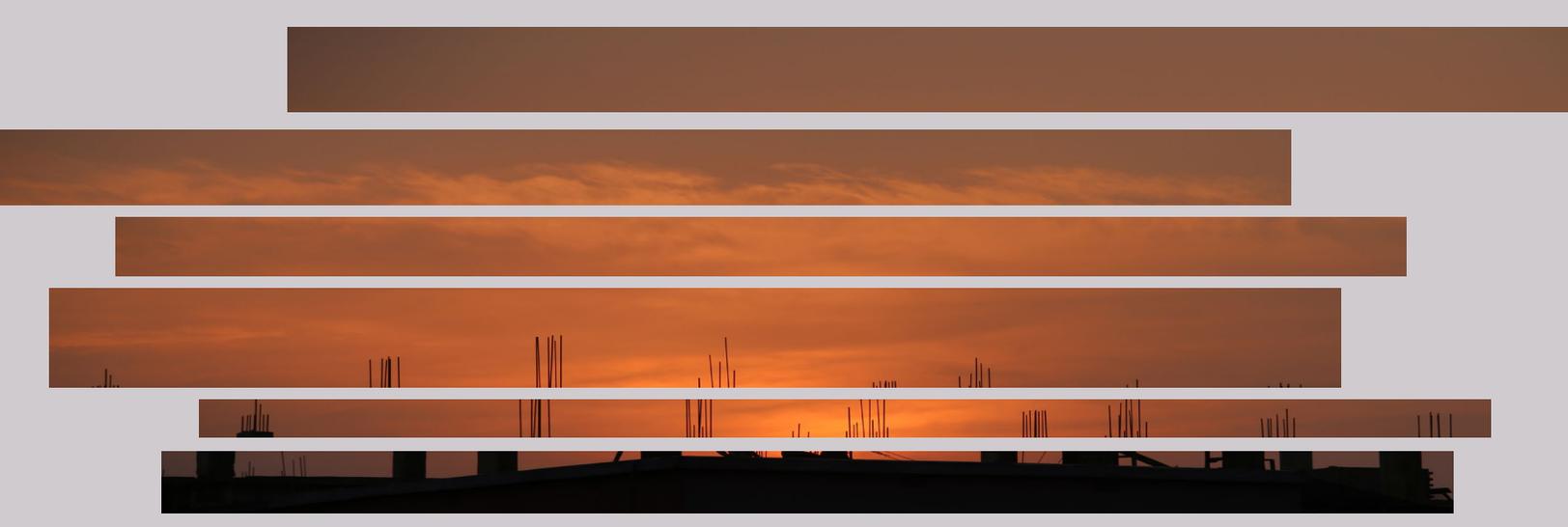
Creating your company's TM philosophy may be easier than you think. We find that executive teams value this discussion and are often very progressive on topics like transparency and accountability. Test their interest by asking a few executives the questions on page 3. Then ask if they believe that others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

- 1. Performance:** We believe in strong, sustained performance from all employees; we hold those in critical roles to a higher performance standard
- 2. Behaviors:** An individual's behaviors meaningfully influence their compensation and progression through our company
- 3. Differentiation:** Those at the highest level of performance will receive significantly higher rewards than those with average performance
- 4. Transparency:** We share information with employees about talent processes and the talent decisions that personally affect them
- 5. Accountability:** Managers are accountable to build the quality and depth of their team, improving the company's capacity to win



Talent Philosophy: Observations after five years

When I first implemented this concept in 2011, I didn't realize that companies would find so much value in this new idea. Since that time, we have helped more than 40 companies (mostly large global organizations and your favorite brands) build and implement their Talent Philosophy. Many other companies have successfully implemented the process on their own.

Both groups tell us that Talent Philosophy was the missing foundation they had needed to execute their talent management strategy. After implementing their Talent Philosophy, these companies have seen better executive team support for talent investments and employees who now clearly understand the "rules of the road" for success. These client experiences reinforce my belief that Talent Philosophy is the essential starting point for successful talent management.

It's because of these inspiring stories that I'm reissuing the original article with this introduction highlighting how companies are using the process. This new material also includes more details about how we help companies create their Talent Philosophy.

A Few Surprises

We have been pleasantly surprised that senior

teams appreciate this process as much as they do. Our universal experience has been that senior teams immediately see the value in Talent Philosophy and gladly participate in the process. We also didn't expect that executives would so strongly embrace supposedly challenging elements of Talent Philosophy like transparency and accountability.

Yet, at each of our clients, executives have indicated that both elements should be significantly increased in their new philosophy.

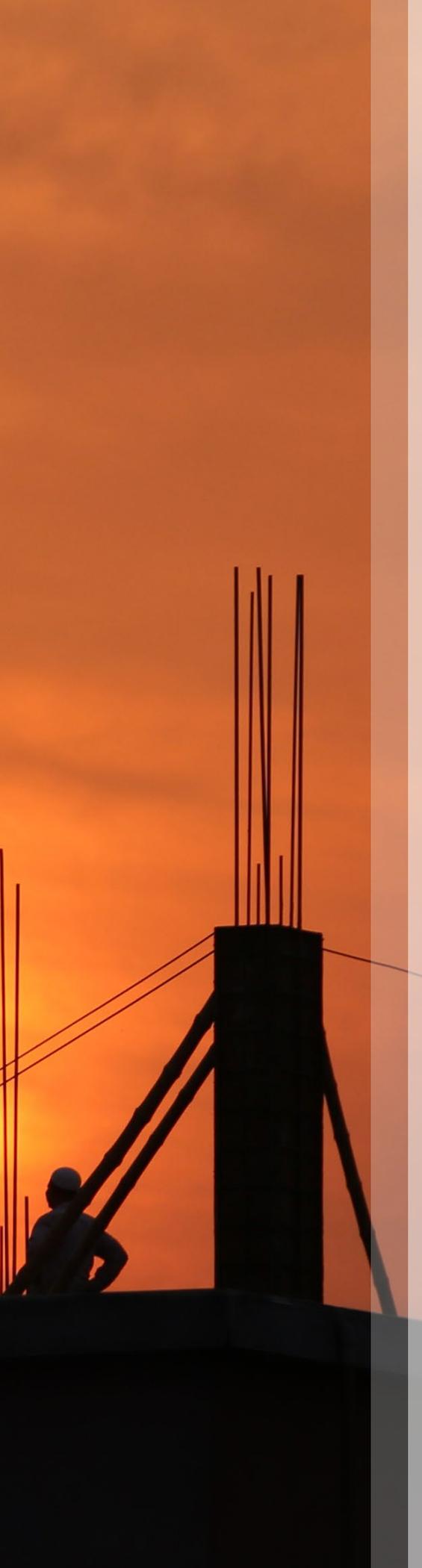
A Talent Philosophy Primer

For those of you who haven't yet read the original article, here's a synopsis of Talent Philosophy:

A Talent Philosophy is your executive team's "rules of the road" for how they want talent managed. It provides guidance that can be easily operationalized in selection, development, evaluation and compensation processes. It takes the form of a set of very brief statements (~10 words each) that describe your company's beliefs about performance, behaviors, differentiation, transparency and accountability. Once created, it is widely communicated to employees and all HR processes are aligned against it. All companies need one; very few have one.

How Talent Philosophy is Being Used

The case studies below illustrate how companies



are using Talent Philosophy to solve key organization challenges.

Case Study #1: Change Corporate Culture

The Opportunity: At a \$10B+ medical device company, the new CEO wanted to redefine the culture to support a changed approach to innovation and performance. The executive team recognized that the company's existing talent management approach wouldn't support the behaviors or attract the talent needed to achieve this new strategy. That approach – successful in a less dynamic environment – now reinforced actions and a mindset that were harming productivity.

The Process: The executive team agreed to concurrently create a Talent Philosophy and a Success Model. The team completed the Talent Philosophy Survey™ and agreed on all elements of the desired philosophy except for Differentiation.

The company historically had very little rewards differentiation and some long-serving executives believed that more differentiation would cause needless competition. We facilitated the executive team to agree on a range of differentiation that everyone felt comfortable would drive productive outcomes and minimize internal conflict.

The Outcome: The new Talent Philosophy was used to redesign performance management, succession planning and other key talent building processes. Thorough employee communications (including small group meetings, videos, etc.) ensured that all employees understood the new philosophy and how it could change their experience in the company.

The senior team is seen today as acting consistent with this philosophy and has made personnel decisions that reinforce their commitment to it. One sign of its integration into the culture – all company communications about talent are now prefaced with “Consistent with our Talent Philosophy . . .”

Case Study #2: Clarify How to Win

The Opportunity: As a venture capital firm rapidly grew from boutique player to industry powerhouse, its newly hired partners and associates were left to decipher the firm's informal rules of success. Newly hired associates were especially frustrated with the opacity around career progress and what actions would drive it. The founding partners agreed that a Talent Philosophy would provide the clarity and structure their teams were demanding.

The Process: The managing partners assessed their collective viewpoints using the Talent Philosophy Survey™ and structured their Talent Philosophy using the five elements listed in this article. They found that the process didn't change their core beliefs but instead provided a language and structure that allowed them to more easily communicate those beliefs.

The Outcome: The managing partners wanted to ensure that the Talent Philosophy provided additional clarity about, not a fundamental change in, how the firm operated. The new Talent Philosophy was communicated firm wide as an added expression of the firm's core values and beliefs.

Internal metrics showed good understanding of the philosophy and support for the clarity it provided. The Talent Philosophy was hard-wired into the firm's talent review process to ensure that all talent decisions were consistent with its design.

The Talent Philosophy Process

When we help companies to create and implement their Talent Philosophy, it typically includes four steps:

1. **Survey:** We customize our Talent Philosophy Survey™ to the company's needs and administer it to their executive team. The survey includes about 20 questions and takes about 10 minutes to complete. Other leaders can also take the survey but the opinions that should shape the Talent Philosophy are only those of the CEO and his or her direct reports.
2. **Present & Develop:** We present the executives with the survey findings and a "From/

To" assessment. We facilitate a discussion with the executive team that ends in agreement on a Talent Philosophy. We prepare and present profiles that describe how leaders' experiences at work will change under the new philosophy.

These profiles ensure that executives understand that they're agreeing to concrete actions and outcomes, not just aspirational statements.

3. **Communicate:** We help our clients to create and execute a communication strategy that supports the Talent Philosophy. This strategy often includes both the plan and its execution. We are able to provide comprehensive design and delivery of the collateral material that supports an effective global rollout.

4. **Assess & Recommend:** We assess and recommend changes to your HR practices to support the Talent Philosophy. We audit your talent and compensation practices to understand where current approaches are misaligned with your new philosophy. We provide thorough analysis and specific recommendations for change based on our One Page Talent Management approach.

In Summary

A Talent Philosophy provides the foundation for talent management success. It aligns your executive team around a common vision. It clarifies for your employees how to succeed. It provides a "true north" around which to design your HR practices.

I've been surprised by the power of this seemingly simple activity and now recommend it to every client as the mandatory starting point for talent management success.

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