



EXECUTIVE GUIDANCE FOR 2011

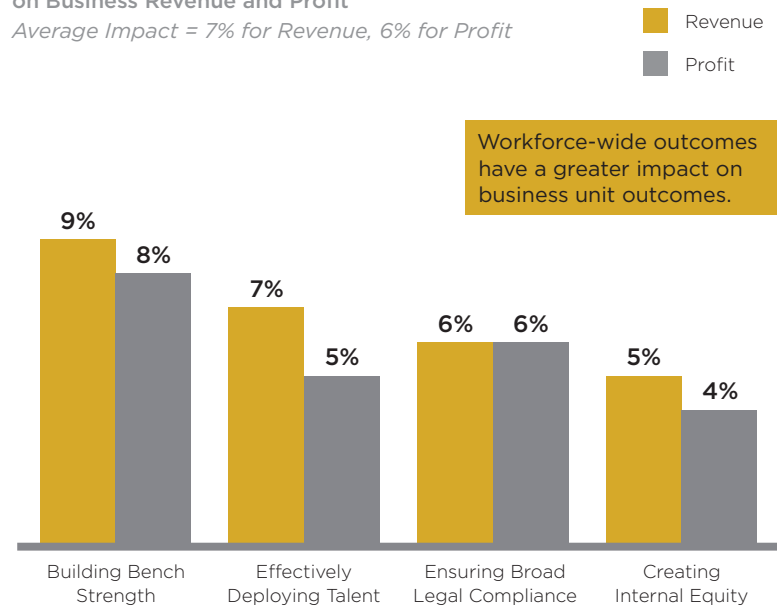
Becoming a Talent Champion

Refocusing Executives on the Five Talent Activities That Matter

Too many leaders underestimate the importance of, and their role in, talent management. While it makes intuitive sense, it is now analytically clear that business leaders who are strong at talent management—being both committed and effective—get much better results. By focusing their talent management strategies and their own personal activities, the best executive talent managers generate as much as a 7% boost in revenue and profit performance over their less talent-focused peers. In addition, they achieve higher talent outcomes across-the-board, including employee effort levels that are 25% higher than average and markedly better retention rates (with less than one in ten of their employees at risk of turnover). Despite the compelling financial returns, Corporate Leadership Council (CLC) research shows that only 19% of senior executives are committed to, and effective at the talent management disciplines necessary to achieve these outcomes. We call those executives who do outperform “Talent Champions.”

The Business Case: Driving to Better Talent Outcomes Matters
 Impact of Key Talent Management Disciplines on Business Revenue and Profit

Average Impact = 7% for Revenue, 6% for Profit



Source: CLC Talent Management Effectiveness Survey; Corporate Leadership Council research.

Executives Committed to and Effective at Talent Management Outperform

Distribution of Business Leader Commitment and Effectiveness

COMMITMENT TO TALENT MANAGEMENT	HIGH	Strivers 42% <i>Committed but Ineffective</i> Strivers believe in the importance of talent management but lack effectiveness at critical talent management activities.	Talent Champions 19% <i>Committed and Effective</i> <ul style="list-style-type: none"> Employee effort levels are 25% greater than average. Six percent of employees are at risk of turnover. Business unit profit is 6% greater than average. Business unit revenue is 7% greater than average. 	
	LOW	Talent Rejectors 31% <i>Neither Committed nor Effective</i> <ul style="list-style-type: none"> Employee effort levels are 20% lower than average. Thirty-two percent of employees are at risk of turnover. Business unit profit is 6% lower than average. Business unit revenue is 7% less than average. 	The Half-Hearted 8% <i>Effective but Not Committed</i> The Half-Hearted are not convinced that talent management solves business challenges, but they are effective at critical talent management activities.	
		LOW	EFFECTIVENESS AT TALENT MANAGEMENT	HIGH

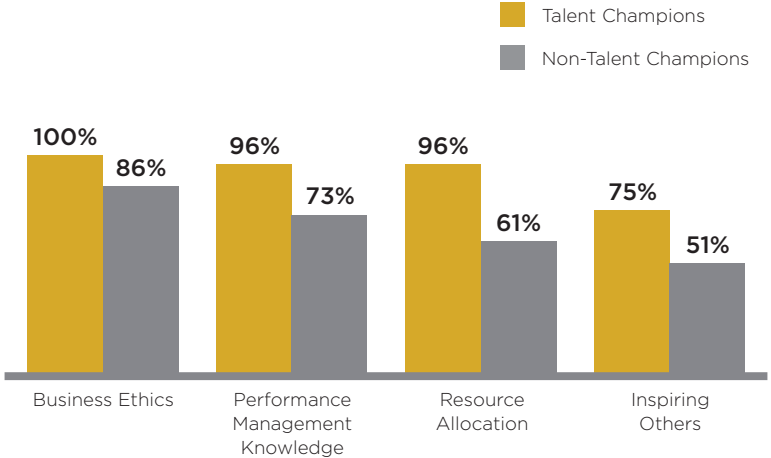
Source: CLC Talent Management Effectiveness Survey; Corporate Leadership Council research.

The Corporate Leadership Council compared the profiles, practices, and positions of Talent Champions against the average executive manager to understand Talent Champions’ distinguishing characteristics. Three important findings emerged:

▪ **Most executives have the ability.**

Senior executives do not lack the ability to be better talent managers. In fact, almost all executives have the business acumen and management skills to effectively manage their human capital. The knowledge and skills most important to being a Talent Champion are also those most important to being an effective business leader: resource management, performance management, ethics, and inspirational communication. In summary, the highest returns on talent management come from approaching it like any other business challenge or priority. Executives yield the best results when they apply core business management skills to their talent management activities.

Business Leader Effectiveness at Key Skills and Knowledge
Percentage of Effectiveness



Source: CLC Talent Management Effectiveness Survey; Corporate Leadership Council research.

▪ **Most executives lack the commitment.**

The level of commitment to strategically managing talent management is the issue. Rather than ability, what distinguishes Talent Champions from their peers is their level of commitment to managing talent strategically as a top business priority. Talent Champions view their “people strategy” as a critical input into business strategy, ensuring these strategies are based on a strong talent plan that explains how staff will be developed, deployed, and enabled to meet business objectives. Unfortunately, many executives simply do not believe that having a strong talent strategy matters. In fact, most executives spend too much time on day-to-day talent management activities and not enough time on building the longer-term talent strategies their businesses require.

▪ **Getting better results does not require more time, just more focus.**

Understandably, many executives worry that they cannot afford the time it takes to be an effective talent manager. Fortunately, getting better talent results is not a factor of time spent; Talent Champions spend no more time on talent management than less effective managers. What distinguishes Talent Champions is their focus on a narrower, more strategic set of talent activities; they focus on the *right* activities not simply *more* activities. In fact, Talent Champions frequently avoid the less scalable, employee-by-employee activities dictated by management conventional wisdom and rely on their organization and their HR generalist to give them leverage.

TALENT CHAMPIONS FOCUS ON THE FOLLOWING FIVE ACTIVITIES

1. Identify and Engage Your High-Potential Staff

The most important talent management activity for senior business executives is identifying, developing, and managing high-potential (HIPO) employees. High-potential employees are three times more valuable than the average employee. Unfortunately, the number of employees we can confidently label as high potential has dropped by as much as a 50% across 2009 and 2010. This attrition in the HIPO population is largely a result of increasing disengagement and discontent with their roles and their careers. To re-engage your HIPO, you should:

- **Identify Your High Potentials, but Do Not Confuse “High Performance” with “High Potential.”** While it is true that all HIPOs are high performers, it is not true that all high performers are HIPOs. In fact, more than 70% of high-performing employees do not qualify as HIPOs. Designate HIPOs as those high performers who also have high levels of engagement, strong abilities, and the aspiration to contribute at the highest level.
- **Create and Assign HIPOs to Business Critical Roles.** Take the lead in identifying business critical roles for your HIPOs across the organization. Assign them to these important business projects and remove the common barriers to employee movement, such as talent hoarding and manager risk aversion.
- **Communicate Long-Term Career Paths.** Surprisingly, more than 80% of HIPOs report uncertainty about their long-term career path with their current organization. Talent Champions actively engage in career discussions with their best talent, laying out longer-term paths and increasing employee confidence in their careers.

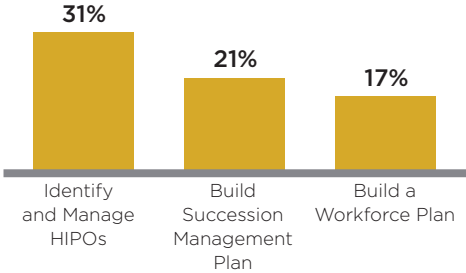
2. Link Strategic Planning and Talent Planning

Talent Champions regularly embed talent planning into all their business planning and budget-setting activities. They ensure that human resources are allocated like any other critical business resource by considering, acquiring, developing, and allocating talent to best support business goals.

An effective talent strategy is characterized by a strong workforce and leadership succession plan. These plans should, even for your seniormost manager team, assess future talent needs, estimate potential labor supply constraints, and establish the required “build or buy” plans to secure critical talent resources. A strong succession plan will not only identify successors for each critical role in the enterprise (a minimum of two successors per position), but it will also include detailed development and career plans for these staff members.

Focus on These Three Strategic Talent Management Activities Maximum Impact on Talent Outcomes

Talent Champions disproportionately invest in developing their best talent and building a talent strategy for the organization.



Source: CLC Talent Management Effectiveness Survey; Corporate Leadership Council research.

3. Spend Less Time on Lower-Value, Day-to-Day Talent Management Activities

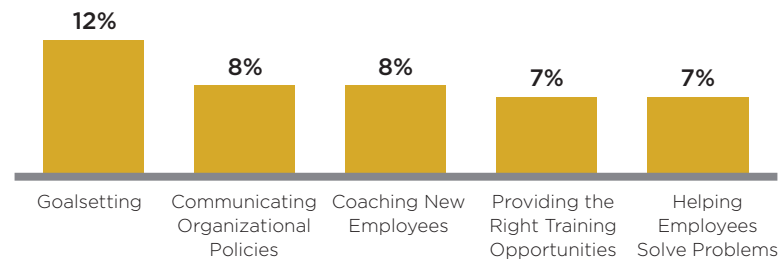
Time spent developing and managing talent as a strategic resource has a larger, more scalable impact on your organization than engaging a wide range of day-to-day, individual employee-focused activities. Important, but less scalable activities, like setting individual goals, onboarding new employees, mentoring junior staff, and troubleshooting resourcing, are better delegated to middle managers, frontline managers, or your HR generalist. In most cases, these managers are much closer to the issues faced by employees and are better able to provide useful feedback and solutions. In addition, HR generalists and specialists can more quickly resolve recurring problems or clarify policies.

Deprioritize and Delegate These Five Day-to-Day Talent Management Activities

Maximum Impact on Talent Outcomes

Average Impact = 8%

Talent Champions focus less on the day-to-day people management for broad swaths of average performers.



Source: CLC Talent Management Effectiveness Survey; Corporate Leadership Council research.

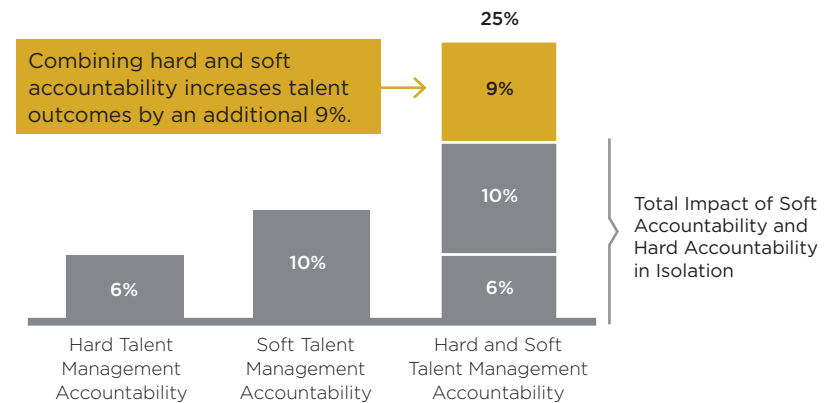
4. Hold Your Teams Accountable for Talent Outcomes

Roughly 95% of surveyed executives have specific talent-related performance objectives. Unfortunately, this “hard accountability” of performance-based objectives is a necessary but insufficient means of building your team’s commitment to talent management. Modify your executive team’s incentives in three simple ways to increase both their commitment to and performance at talent management.

First, it is important to combine “hard” performance objectives with more “soft accountability,” such as publishing and publicizing benchmarks on executive or team talent outcomes. Organizations that combine direct talent performance objectives with less formal, but broadly visible “competitions” can achieve a 25% improvement in talent outcomes, compared with a 6% boost for those who use performance objectives alone.

Impact of Accountability on Talent Outcomes

Maximum Impact on Talent Outcomes



Note: The maximum total impact on talent outcomes is calculated by comparing two statistical estimates: the predicted impact when a specific accountability is relatively high on a driver and the predicted impact when a specific accountability is low on a driver. The effects of all drivers are modeled using a variety of multivariate regressions with controls.

Source: CLC Talent Management Effectiveness Survey; Corporate Leadership Council research.

Second, anchor executive objectives on both broad organizational talent outcomes and specific talent management activities. To be active and committed participants in an organization-level talent strategy, executives should be responsible for not only the broader strategic outcomes such as retention rates, talent mobility, and performance improvement, but also for specific high-impact activities, such as identifying and developing HIPOs, building a succession plan, and completing a long-term talent plan with HR.

Finally, ensure executives are enabled to implement their talent plans and pursue key talent activities. In addition to making sure executives help to set their own talent objectives, ensure they have the resources and control necessary to achieve their goals. For example, removing barriers to employee movement and providing flexibility in hiring will help individual executives and teams achieve their goals more efficiently. It is most important to require the strong collaboration with and support of HR when clarifying talent goals, streamlining HR policies, and providing flexible solutions as talent management challenges emerge.

5. Rely on Your HR Team Beyond Routine Interactions to Help Manage Talent

Building an effective talent strategy, establishing a HIPO program, and adjusting incentives toward talent outcomes will require close collaboration with your HR team—in particular with your HR generalist or HR business partner. While HR plays a critical role in managing key talent activities like performance management, compensation, and training, HR should not be overlooked as a key partner in building a more strategic approach to talent management. Talent Champions rely on their HR organizations as a key partner in designing and implementing workforce and succession planning. HR business partners and specialists are not only trained, but also experienced in managing these processes effectively across different organizations, teams, and circumstances. Their expertise and experience can ensure a more comprehensive plan and save valuable planning time. Moreover, actively collaborating with HR will guarantee alignment between your talent strategy and the firm's talent strategy.

› Becoming a Talent Champion and getting the most of out of your scarce human capital is not an issue of skill but one of will. Fortunately, executives only need to focus on a small set of strategic talent management activities to dramatically improve their organization's productivity. A seven percentage point advantage in both revenue and profit makes becoming a Talent Champion a business necessity for every executive.

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