Reignite Business Performance for Competitive Edge: Talent to fuel growth – overcoming the skills shortage

Executive Summary
Introduction

Senior human resource executives met in Munich at the Michelin-starred Schweiger2 restaurant to discuss the role of talent management in fuelling business growth. This document summarizes the debate and conclusions from the day.

Jesper Lillelund, Partner at event host CorporateLeaders, and Executive Briefing moderator, set out the agenda. “Our focus today is the impact of the current business climate on talent development programmes. Most of you are in industries that are undergoing very rapid changes, in business models, in the competitive environment, and in the demographics of your markets and workforce. The right leadership skills to navigate organizations through these turbulent waters are more critical than ever before and HR clearly has a key role to play in acquiring, developing and helping to deploy those skills where they are needed. At the same time, economic uncertainty and tightened sources of credit mean increased cost pressures. Leadership development programmes – along with other HR initiatives - are under scrutiny. Between you in this room is a wealth of experience in dealing with these issues and in proving the right talent to fuel growth. Our goal is to share that experience over the course of the afternoon and evening.”
Key Conclusions

• Change management programmes that require the adoption of new leadership behaviours are easier to implement in times of crisis than as part of a strategy to drive future growth.
• Establishing a common set of corporate and leadership values when a company is diversifying its established business model is particularly difficult.
• HR needs to be involved in business strategy setting and review – ideally through representation on the executive board – if it is to find, develop and retain the talent needed to execute on the company’s top-line goals.
• High-level sponsorship – preferably at CEO level – is vital for the success of large-scale change management initiatives. However, if senior management has not bought in to the new strategy, they will revert to old behaviours once the championing CEO is no longer in place. It’s therefore vital to weed out dissentors early on.
• HR must convince executive management not to cut off investment in leadership and talent development in a downturn – there are always other cost-savings to be had. Enlightened companies see downturns like financial market crashes – an opportunity to procure, not divest of, good stock.
• Managers must be motivated to share top talent with other lines of business or functions – they are unlikely to do so naturally. Executive management must promote the value of acquiring diverse skills and experience to overcome reluctance on the part of most managers to take on talent without experience in their business line or function. Equally, attrition – even of top talent – should not be stigmatized.
• Performance metrics are necessary but, like all systems, will be gamed. HR managers need to understand what is driving the data.

“If you cut development programmes, you are cutting future revenue streams.”

Paul Swinscoe, Director of Sales and Marketing, Europe, Raytheon Professional Services.
Paul Swinscoe, Director, Sales and Marketing EMEA, for global training company Raytheon Professional Services, pointed to the results of a 2011 survey by workforce solutions company Manpower on the reasons companies have difficulty filling jobs, and the strategies they employ to address this.

The results pointed clearly to a mis-match in supply and demand in terms of skills needed and those offered, with ‘lack of experience’ and ‘lack of hard skills’ cited as the top two recruitment obstacles.

The most commonly cited strategy for overcoming the skills gap was to provide additional training and development to existing staff. Swinscoe observed that the collective experience of Raytheon Professional Services’ 1,000 staff involved in designing, implementing and managing efficient training solutions in over 100 countries has revealed the following initiatives to be those particularly key in migrating leadership skills to fit a changing business imperative: Competency models; strategic learning programs; on-demand learning programmes; participation in career development of top leadership; and a concerted effort by leadership and development professionals to drive the adoption among line managers of talent management programs.

Invited speaker Eric Sorin, Global Head of HR Center of Expertise for Nokia Siemens Networks (NSN), agreed with Swinscoe’s emphasis on HR involvement in setting business strategy, arguing that his team’s highest priority over the last two years has been to instill a common sense of business purpose among the company’s leadership.

Leadership Development Best Practice – Nokia Siemens Networks’ Consistency in Leadership Initiative

Sorin described the Consistency in Leadership initiative that he and his team put in place at NSN to enable the company to sustain growth in an increasingly competitive global market. The joint venture between industrial giants Nokia and Siemens was founded in April 2007 and provides mobile communications infrastructure and services to over 3 billion subscribers and over 80 of the top 100 mobile operators worldwide, with net sales in 2010 of around €12.7 billion.

NSN operates in a rapidly shifting competitive environment, with established players such as Ericsson and Cisco increasingly challenged by rapidly-growing Chinese companies.

In 2009, newly-appointed CEO Rajeev Suri, who previously served as NSN’s Head of Services, launched a turn-around exercise to stem a downward revenue trend.

Among a number of other priorities such as increasing productivity in the research and development unit, and achieving a more balanced global presence, Suri set the goal of reducing organizational complexity and addressing a lack of vision and clearly-articulated strategy within the company.
Sorin’s team broke the project down into four distinct stages: define clear expectations for leaders; communicate those expectations beginning with the 6,000-strong line management team; develop and support managers so they could meet the expectations set; and finally, measure and reinforce desired behaviours.

The leadership code, defining expectations for line-and senior management, was developed in alignment with, but separately to, a new code of corporate values developed in collaboration with around 30,000 employees. Additional inputs were the NSN leadership model, data on performance against 15 established core leadership competencies and various research studies. Descriptions of desired leadership behaviors were brainstormed with existing NSN management, resulting in a list of around 20 behavioural attributes that was then distilled down to five. The leadership values were subsequently reviewed and agreed with the executive board before being rolled out to NSN’s 120 top managers to secure their buy-in. Going forward, 6,000 line managers attended around 500 workshops aimed at helping them communicate the leadership code in a way that was applicable to the nature of their teams’ work.

A series of leadership development programmes was then developed, tailored to the level of management, and reflecting whether the leader was established in his or her role or transitioning to a new role – an important distinction since NSN initiated a major re-organization aimed at downsizing the business in 2011.

**The Right Speed of Change**

The group spent considerable time discussing the criteria for a successful change management initiative. Paul Swincoe pointed out that speed is critical – a long drawn out process will de-motivate staff.

Another participant pointed out that instigating a change management program is easier to do in a crisis or period of negative revenue growth than it is when the top line is positive. Change management programs aimed at future-proofing the business, rather than dealing with immediate crisis, can be harder to implement. Swincoe pointed to an example of an organization which is transforming from being product centric to a services company. “That’s a huge mind-set change. It takes time to get buy-in, and you have to start at the top.” Another participant described her company’s shift in business model from one product with a slow production life-cycle, to a mixed model that retained the original product line, but added new, electronic services in which speed of delivery is a critical success factor. “Our challenge has been to arrive at a common set of values and leadership skills that we need in both of these very different types of business, so employees and managers feel they are working for the same company.”
The Role of the CEO

Active CEO sponsorship of leadership change and development programs is critical to success, the group agreed. But relying on the CEO alone - however charismatic and committed they may be - can be dangerous. “Our many initiatives to get our new values and compensation models into the DNA of our employees seemed to be working wonderfully – until the CEO left, and then 5 years of work was undone overnight. We realized that employees had associated the new values with the CEO, not with the company,” said one participant.

Hard as it may be, said another participant, “You have to look behind the lip-service and be realistic about who is on board and who is not – and clear out the dissentors early on.”

Overcoming Talent Silos

All too often, the group agreed, top talent is closely guarded by line-of-business managers. One participant described how his company had puzzled over why performance reviews for a sample of 50 locally-assigned managers was higher on average than that of 50 of the company’s top talent pool – until HR realized that local managers were not putting their best people into the top talent pool for fear of losing them to another line of business.

Many participants also found that line-of-business or functional managers are often reluctant to take on people without experience in their particular area of business, overlooking the potential gains of bringing in a different point of view and expertise from another area of the business. “We’re trying to instil a mind-set that leadership development is about gaining expertise from different areas of the business. It’s a tough sell. Line-of-business managers see it as too risky to take on someone outside of their sector”, said one participant.

The group was divided over whether organizational structures can overcome the silo effect but the majority agreed with the participant who stated, “It’s not a question of centralized or decentralized structures. It comes down to the behaviours that are encouraged and discouraged – including firing people who are obviously obstructing the process of promoting top talent within the company.”

Cultural Differences

Those in the group who had been part of large-scale change management projects that involved defining and communicating corporate and leadership values agreed that cultural differences are less significant than commonly assumed. “Successful corporate values have to appeal to basic, human values and emotions that are the same the world over,” said one participant. Eric Sorin commented that, “When it came to the willingness of our 6,000 line managers to adopt and communicate the new leadership values, we saw some differences in maturity of leadership between regions but in fact there were more differences between functions.”
Taking the pulse

A pulse survey of the participants’ main priorities over the coming 12 months revealed ‘developing managers and employees with high potential’ as the most burning priority for the majority of attendees, following by ‘hiring qualified people’. Talent retention was the third highest HR priority. Encouragingly, given ongoing economic uncertainty, cost-savings, restructuring HR and down-sizing featured low down on the list.

The group also agreed that whilst performance metrics are important, they must be taken in the context of other performance indicators. For example, one participant said that he looks at the length of time a job remains in the global job posting system without applications, and interprets this as an indication of whether that position’s manager is respected within the company.

Joel Casse, NSN’s Director and Global Head of Leadership Development and Talent Management, commented that it’s important not to have too many metrics. He mentioned that NSN is currently working with an external consultant to reduce the list of leadership competencies from 15 to 8.

Another participant argued that a basic level of consistency in performance metrics across all functions and geographies is critical. In his experience, achieving this consistency required a move from a rules-based to a principles-based compensation model. “We used to have multiple, local, compensation models and we wanted to move to one flexible model that incorporated a core set of metrics applicable to all employees with additional metrics for management. We worked on principles that could then be adapted locally.”

The group also discussed metrics used to measure the success of leadership development programmes. One participant felt that the only useful metric was the company’s overall profit and revenue, although internal HR metrics were necessary. Another participant looked at the percentage of people who had taken part in leadership development who were subsequently promoted to the next level of management.

Future-proofing Against Talent Shortages

Jesper Lillelund sparked a lively debate with the question, “How do you determine what talent you need?” The group agreed that talent requirements should be a regular part of business strategy reviews. Eric Sorin added that NSN’s CEO has introduced a performance-driven culture that encourages senior managers to view the business through the lens of a private equity investor focused on maximising returns. “We need leaders who have strong analytic skills, who identify issues quickly, learn fast, and are agile.”

Letting Go

As important as taking on talent is being able to let it go. Most managers see attrition among their top talent as a reflection on their own management abilities. “In the past, my company didn’t allow employees to return to the company once they had left,” said one participant. “It’s been a huge challenge to get managers to realize it’s ok to lose good people. Ultimately, I’d like to set an attrition target that we try to achieve, not to reduce.” Another participant actively stays in touch with top talent who have left and has seen a number of them return to the company. “They come back with a broader view of our industry that can be highly valuable.”

Managing Metrics

The group agreed that cultural differences were more evident when it came to execution. “In China, we still see a very hierarchical, top-down leadership style which doesn’t play out well in other geographies. We’ve lost staff to Chinese competitors who offered them 30-50% more money, but many of those who left are coming back because they want more autonomy.”

However, Sorin pointed out that cultural differences were more evident when it came to execution. “In China, we still see a very hierarchical, top-down leadership style which doesn’t play out well in other geographies. We’ve lost staff to Chinese competitors who offered them 30-50% more money, but many of those who left are coming back because they want more autonomy.”

Taking the pulse

A pulse survey of the participants’ main priorities over the coming 12 months revealed ‘developing managers and employees with high potential’ as the most burning priority for the majority of attendees, following by ‘hiring qualified people’. Talent retention was the third highest HR priority. Encouragingly, given ongoing economic uncertainty, cost-savings, restructuring HR and down-sizing featured low down on the list.

The group also agreed that it is important, though sometimes very difficult, to convince executive management to avoid knee-jerk reactions to the current, highly unstable economic environment. All noted that training and development is one of the first things to be axed in a downturn, but, as one participant put it, “If you cut development programmes, you are cutting future revenue streams. HR needs to educate management on the other cost drivers that can be eliminated without impact on future revenue.”

The group agreed with one participant’s observation that, “The smartest thing you can do in terms of managing talent in a downturn is act in a counter-cyclical manner – you should be recruiting more, not less, graduates and apprentices in a downturn.”

Managing Metrics

The group agreed that whilst performance metrics are important, they must be taken in the context of other performance indicators. For example, one participant said that he looks at the length of time a job remains in the global job posting system without applications, and interprets this as an indication of whether that position’s manager is respected within the company.

Joel Casse, NSN’s Director and Global Head of Leadership Development and Talent Management, commented that it’s important not to have too many metrics. He mentioned that NSN is currently working with an external consultant to reduce the list of leadership competencies from 15 to 8.

Another participant argued that a basic level of consistency in performance metrics across all functions and geographies is critical. In his experience, achieving this consistency required a move from a rules-based to a principles-based compensation model. “We used to have multiple, local, compensation models and we wanted to move to one flexible model that incorporated a core set of metrics applicable to all employees with additional metrics for management. We worked on principles that could then be adapted locally.”

The group also discussed metrics used to measure the success of leadership development programmes. One participant felt that the only useful metric was the company’s overall profit and revenue, although internal HR metrics were necessary. Another participant looked at the percentage of people who had taken part in leadership development who were subsequently promoted to the next level of management.

Future-proofing Against Talent Shortages

Jesper Lillelund sparked a lively debate with the question, “How do you determine what talent you need?” The group agreed that talent requirements should be a regular part of business strategy reviews. Eric Sorin added that NSN’s CEO has introduced a performance-driven culture that encourages senior managers to view the business through the lens of a private equity investor focused on maximising returns. “We need leaders who have strong analytic skills, who identify issues quickly, learn fast, and are agile.”

Letting Go

As important as taking on talent is being able to let it go. Most managers see attrition among their top talent as a reflection on their own management abilities. “In the past, my company didn’t allow employees to return to the company once they had left,” said one participant. “It’s been a huge challenge to get managers to realize it’s ok to lose good people. Ultimately, I’d like to set an attrition target that we try to achieve, not to reduce.” Another participant actively stays in touch with top talent who have left and has seen a number of them return to the company. “They come back with a broader view of our industry that can be highly valuable.”

Managing Metrics

The group agreed that whilst performance metrics are important, they must be taken in the context of other performance indicators. For example, one participant said that he looks at the length of time a job remains in the global job posting system without applications, and interprets this as an indication of whether that position’s manager is respected within the company.

Joel Casse, NSN’s Director and Global Head of Leadership Development and Talent Management, commented that it’s important not to have too many metrics. He mentioned that NSN is currently working with an external consultant to reduce the list of leadership competencies from 15 to 8.

Another participant argued that a basic level of consistency in performance metrics across all functions and geographies is critical. In his experience, achieving this consistency required a move from a rules-based to a principles-based compensation model. “We used to have multiple, local, compensation models and we wanted to move to one flexible model that incorporated a core set of metrics applicable to all employees with additional metrics for management. We worked on principles that could then be adapted locally.”

The group also discussed metrics used to measure the success of leadership development programmes. One participant felt that the only useful metric was the company’s overall profit and revenue, although internal HR metrics were necessary. Another participant looked at the percentage of people who had taken part in leadership development who were subsequently promoted to the next level of management.

Future-proofing Against Talent Shortages

Jesper Lillelund sparked a lively debate with the question, “How do you determine what talent you need?” The group agreed that talent requirements should be a regular part of business strategy reviews. Eric Sorin added that NSN’s CEO has introduced a performance-driven culture that encourages senior managers to view the business through the lens of a private equity investor focused on maximising returns. “We need leaders who have strong analytic skills, who identify issues quickly, learn fast, and are agile.”

Letting Go

As important as taking on talent is being able to let it go. Most managers see attrition among their top talent as a reflection on their own management abilities. “In the past, my company didn’t allow employees to return to the company once they had left,” said one participant. “It’s been a huge challenge to get managers to realize it’s ok to lose good people. Ultimately, I’d like to set an attrition target that we try to achieve, not to reduce.” Another participant actively stays in touch with top talent who have left and has seen a number of them return to the company. “They come back with a broader view of our industry that can be highly valuable.”
Eric Sorin holds a master degree in Human Resources from the Sorbonne university in Paris. He started his career with Thomson Consumer Electronics where he faced the sensitive task of closing industrial sites and organizing the redeployment of hundreds of redundant employees (mostly blue collars). This first and “tough” experience shaped some of his core beliefs as a HR professional.

He then joined Hewlett Packard in 1988 where he held a number of roles for the PC and Network businesses (recruitment, HR development, HR manager, and C&B). He relocated to the UK in 1999 and was soon appointed as Director of Compensation for the EMEA region where he drove the integration of compensation programs following the acquisition of Compaq.

After 15 years spent at HP, Eric joined Nokia in 2004 as Global Head of Compensation. He transitioned to the newly formed Nokia Siemens Networks joint venture in 2007 as Global Head of C&B in charge of aligning related programs and policies for 60,000 employees in more than 100 countries. Since 2009, Eric is the Global Head of the HR Centre of Expertise for NSN where he leads a team of 75 HR experts distributed in 25 countries, responsible for developing and deploying the HR corporate initiatives in the areas of talent, leadership and organization development in addition to compensation & benefits.
Today, more than ever, your organisation's success is measured by the performance of your people. In a challenging economy, outsourcing training to Raytheon Professional Services can significantly lower costs while extending the skills and knowledge of your people across the enterprise.

RPS is a leader in global learning solutions and training outsourcing. We are among the top five outsourced training providers in the Black Book HR0: Training & Learning Services. How do we help businesses like yours meet their critical objectives? We design, implement and manage training solutions that align performance among employees, customers and partners, enabling companies to meet their business goals. Then we apply the best commercial solutions, processes, tools and experts to make our programs available anytime, anywhere.

With more than 900 professionals, RPS helps leading companies rethink the way they deliver training across their enterprise, in more than 99 countries and 28 languages.

For more information, visit our website
www.rps.com