



Coming Out of the Gate:

Will you emerge at the
FRONT OF THE PACK?

2010 *Leadership Practices Survey*



Vantage Leadership Consulting *Talent Accelerated*

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You may be interested in our other publications. We hope they offer you practical advice for leadership in these turbulent times.



Leadership Litmus Test *Talent Management Magazine* March 2010

Do your leaders have what it takes to make it today and tomorrow? The best opportunity to improve the quality of leadership in an organization may be right now, and oddly, talent leaders have the recession to thank for it. This article provides practical and timely advice on how to review and improve leadership in your organization.



Leadership in these Challenging Times *Frontiers of Health Services Management* Vol. 26, No. 2, Winter 2009

In an industry undergoing seismic change, leadership clearly matters – perhaps more than ever, to today’s healthcare executives. The rules for successful leadership may be fundamentally shifting. This article offers our observations on the leadership practices that we believe will increase in relevance for leaders in the healthcare industry.



The Paradox of Potential: A Suggestion for Guiding Talent Management Discussions in Organizations *Industrial and Organizational Psychology* 2 (2009), 413-416

One of the most relevant yet misunderstood questions within talent management is how to successfully identify high potential employees. As an alternative to the traditional nine-box method, this article presents a decision guide which will allow organizations to sharpen their focus on those worth “betting the future on.”



Talent Development During the Global Recession *Magazine of the World Federation of People Management Associations* July 2009

It may seem odd to focus on strategic talent management at a time when so many businesses around the world are struggling just to hold on, but that’s the smart play. Indeed, skillful leadership will continue to be relevant, and a business that focuses only on the short term does so at its peril.



Managing During the Downturn *Workforce Management* July 2009

Nothing has prepared today’s leaders for the current economic situation. As a result, managers who were once balanced and poised are being knocked off their feet, with their teams feeling the brunt of their increasingly ineffective behavior. Leaders can learn to recognize the effect the downturn is having on people and take some practical steps to steady the state of their organizations.

Vantage Leadership Consulting, LLC

COMING OUT OF THE GATE:

Will you emerge at the front of the pack?

When we began this survey, our focus was on the recession and its implications for talent management. The good news is that we are now talking about recovery strategies. We hear our clients discussing the re-emergence of the *war for talent* and many HR leaders are saying that this battle is now being waged internally. Yet, when we examine the survey results, it is clear that the war for talent is not only *escalating*, but will shift back from an internal to an external battle. For example, how will organizations ramp up their recruiting efforts while coming to terms with a talent pool that is likely to look drastically different than it did two or three years ago? What HR leaders seem to be asking is: *What leadership strategies should we be focusing on as the economy recovers?*

Before discussing key themes and survey results, here are a few quick insights:

- All talent management and leadership development practices took a hit during the recession.
- The worst may not be over. But if we continue to recover, then organizations will need to prepare their recruiting functions to engage in a campaign that will be tougher than ever. HR leaders also need to determine the right pace to reintroduce dormant leadership practices, especially as it relates to developing and retaining high potential employees

- Engagement is on everyone's mind. Companies are worried about losing their top performers and concerned about the deleterious effects of low morale as the job market stabilizes
- For those companies that meaningfully invest in front line leader practices, there was minimal scaling back during the recession. Further, a number of survey respondents indicated that identifying and developing front line leaders is a best practice in which they do not invest enough.

How *exactly* have talent management practices changed in this new reality? In 2009 and 2010, Vantage Leadership Consulting surveyed 70 Human Resource leaders across industries to gain insight into how businesses are managing their talent. While many executives believe that the worst is now behind us, the reality is that the economy is still fragile and, in some ways, more turbulent than ever. Forecasts and trends can *turn on a dime*. Despite the challenges, periods of recovery provide an opportunity to test our leaders and enable talent in fundamentally new ways.

The survey asked HR leaders for their opinions on the following topics: impact of the current economic downturn on talent management, leadership development, succession planning, and impact on key business outcomes. The following summary discusses six prominent themes that were uncovered.

MORALE AND ENGAGEMENT

have taken a significant hit

The recession has had a profound impact on employee morale. People are *battle scarred*. Employees are continuing to take on more work than ever before, yet often, they are being paid the same. They fear the worst – job loss, extended unemployment, and potentially, the inability to support themselves and their families. Also, new questions emerge regarding the relevance of certain skills in today's environment. For instance, will an individual's career resiliency be threatened indefinitely? The world is less predictable and as a result, employees are wondering whom they can trust. In the years ahead, leaders will have to *step up to the plate* and rebuild what once was.

Engagement, with a focus on morale and retention, was reported as the top talent management priority.

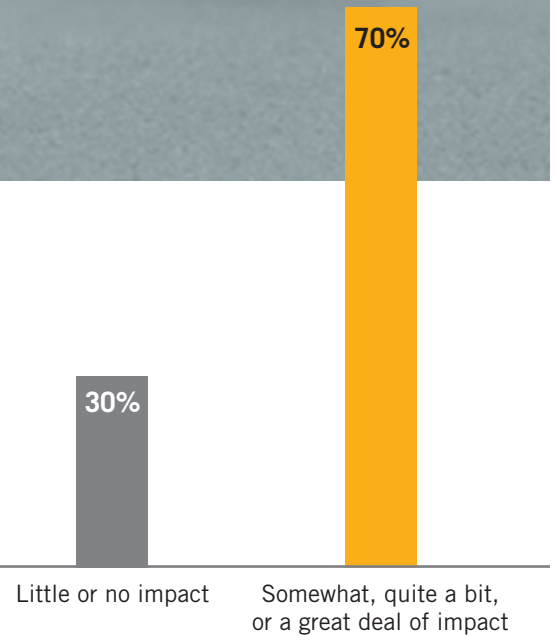
To make matters worse, recent events have resulted in many casualties. Not only have jobs been eliminated, but organizations have been unable to invest in their employees as they once did. Thus, leadership development opportunities are few and far between, leaving organizations in a vulnerable position. If employees' development needs are not met, they are less likely to feel engaged and might find it difficult to remain loyal. As some organizations ramp up their hiring efforts, they could struggle to attract top talent without offering "Best in Class" programs for developing their future leaders. As one HR leader explained, "*We must get better at determining alternate development opportunities for high potentials...If we don't get better/faster at this, we'll lose out when the job market heats up.*"

Surveyed executives indicated that leadership development programs are the #1 talent management practice that have been cut over the last 12 months.



Q.

Has the current environment had a significant negative effect on morale and engagement in your company?



What strategies do you have in place to re-engage your workforce?

HIGH POTENTIALS

represent the greatest “flight risk”

The *war for talent* is intensifying in a number of unique ways. Despite the economic climate, high potentials still appear to be moving, and a sustained economic recovery will provide even more opportunities for the *best and brightest* to go elsewhere. Thus, the need to engage and retain this group is *stronger than ever*.

While retaining top talent has always been challenging, the economic downturn has complicated an already difficult matter. For many organizations, the anticipated exodus of Baby Boomers has been put on hold for the foreseeable future. According to the U.S. Bureau of Labor Statistics, Baby Boomers are expected to stay in the labor force longer than previous generations. The HR leaders we surveyed corroborated this trend – many companies are finding it difficult to place high potentials in new and challenging roles because of near-retirement employees who are highly valued for their technical expertise yet appear to be *clogging up the middle*.

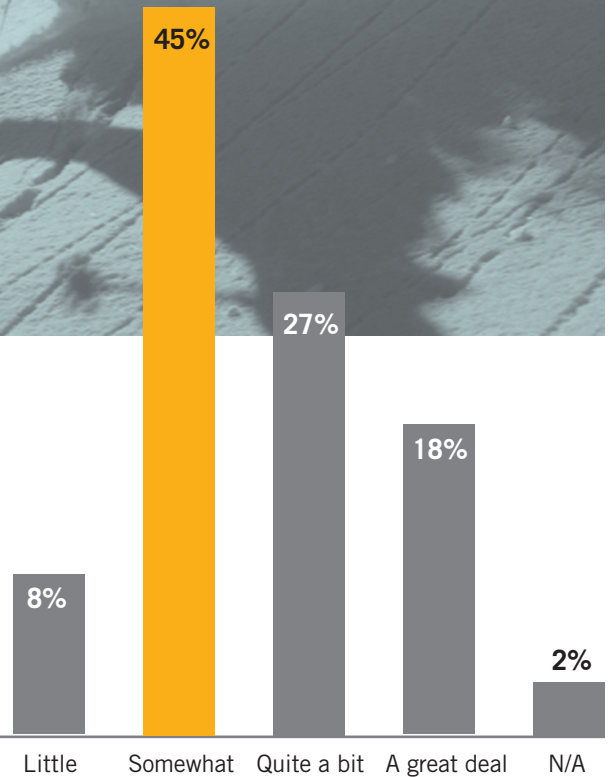
Further, there appears to be a dearth of fresh thinking on how to address the challenge of retaining top talent, exacerbated by the fact that organizations are focused on “tightening their belts” while still operating the business. Companies will need to arrive at more creative strategies to develop and retain their rising stars. Surprisingly, it is generally not about pay. A recent study by the Hay Group (2009) suggests that compensation is not even among the top five reasons why employees are apt to take calls from headhunters. Instead, workers initiate a job search because they desire meaningful work, want to use their skills and abilities, and are pursuing career advancement opportunities, and for high potential employees, this did not change during the recession. Managers can increase the odds that their top talent “stays put” by not only increasing employee engagement but by better supporting their success and showing high potentials *the way forward*.

The most frequently mentioned strategy for retaining high potentials is to place them in stretch assignments and high profile roles. This could include: key rotational or shadowing assignment, business acquisition, revenue growth, etc.



Q.

In the current environment, are you able to place “high potentials” into pivotal roles or stretch assignments?



*What is the next thing you will do to retain your high potentials?
Who is talking to your best and brightest about their career paths?*

“Our biggest challenge is to stave off defectors as the economy continues to recover.”

LACK OF PIPELINE

could lead to the perfect storm

The exodus of Baby Boomers from the workforce poses considerable continuity issues for most organizations. While the rate of retirement has actually declined over the last 18 months, organizations cannot afford to be caught off guard when this long-anticipated exodus comes to fruition. It is critical that organizations remain proactive in managing their talent pipelines and creating pools of “ready now” successors to avoid the impending loss of talent in key leadership roles. Surveyed executives acknowledged that succession planning has become more important over the last year, and has been identified as one of the most critical talent management priorities.

However, given the spending cuts in leadership development programs and challenges with retaining high potentials, our respondents are less confident that they have the talent to succeed in a post-recession economy. Of the HR leaders we surveyed, 40% indicated that they **do not** currently have the talent necessary

to meet their organization’s growth & acquisition goals. In our experience, many HR managers readily admit that their pipeline of emerging leaders is less than robust. Further, the majority of our respondents indicated that their leaders are not consistently held accountable for developing successors. This is likely to further worsen an already pervasive issue.

Paradoxically, as organizations recognize the increasing importance of building a pipeline for the future in the current economic environment, they have struggled more than ever to provide their leaders with the tools or incentives to make this an effective practice. This is likely to lead to maladaptive environments in which organizations over-rely on outside recruitment (when pivotal roles become vacant) or promote employees into roles for which they are vastly underprepared. In our opinion, it will be critical that organizations quickly reconcile these discrepancies as they create or strengthen their culture of accountability for succession management and leadership development.

Succession planning was indicated by surveyed executives as one of the most critical talent management priorities and has increased in importance over the last 12 months.



Q.

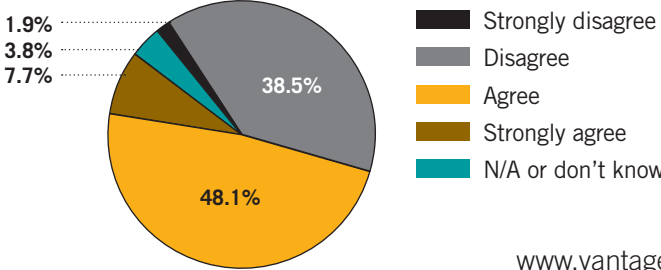
Are leaders held accountable for developing successors?

	Never	Rarely	Occasionally	Frequently	Always	Don't Know/NA
First Level Leaders	20%	44%	19%	11%	6%	--
Mid Level Leaders	13%	33%	24%	20%	7%	2%
Senior Leaders	11%	22%	22%	30%	13%	2%

Is it time to incorporate talent and succession goals into your executive's key objectives?

Q.

Do you currently have the talent you need to meet your growth and acquisition goals?



ARE WE FOCUSING ENOUGH

on our Front Line Leaders?

Over 80% of companies surveyed indicated that they do not have a process in place for assessing “best in class” talent. To illustrate this point, when asked what criteria are used to assess leaders, surveyed organizations undervalued the importance of personal motivation, leadership skills, and potential to advance. This was particularly true at the front line level, where technical skills were more highly valued than the ability to deliver results, demonstrate leadership skills, or show potential to advance. More than ever, organizations are trying to understand how to identify which front line leaders and managers will become front line leaders.

When organizations were asked which practices they currently invest in, most of the resources were being spent at the senior levels. Smart organizations will also invest significantly more time and resources for identifying and sourcing high quality employees earlier in their careers to accelerate their development.

This could present a challenge for front line leaders because senior leaders often lack a direct line of sight to them, and front line leaders are usually least able to visualize their career path within the organization.

Only 64% of companies surveyed indicated that they conduct research to validate their hiring and promotional decisions to show that they accurately predict performance on the job. This points to a lack of rigor around talent management and could also leave many organizations susceptible to the legal ramifications. Additionally, the practice of validating selection practices can lead to an honest assessment of the existing process which often reveals its strengths, weaknesses, and opportunities for improvement and recalibration.

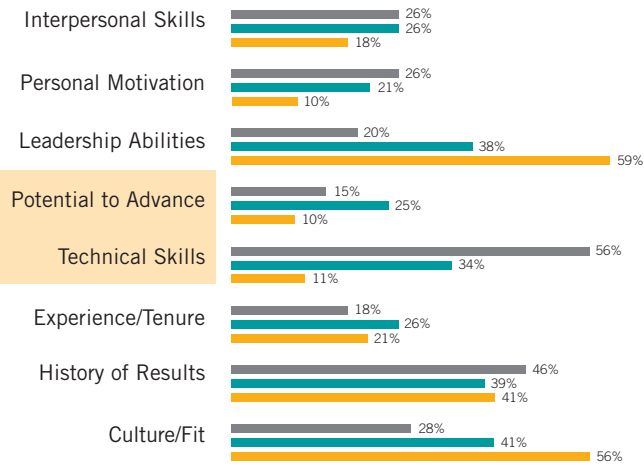
“Management skills are not valued as highly as technical skills.”

“We need to strengthen our ability to select front line leaders with succession potential through assessment centers, success profiles, etc.”

Q.

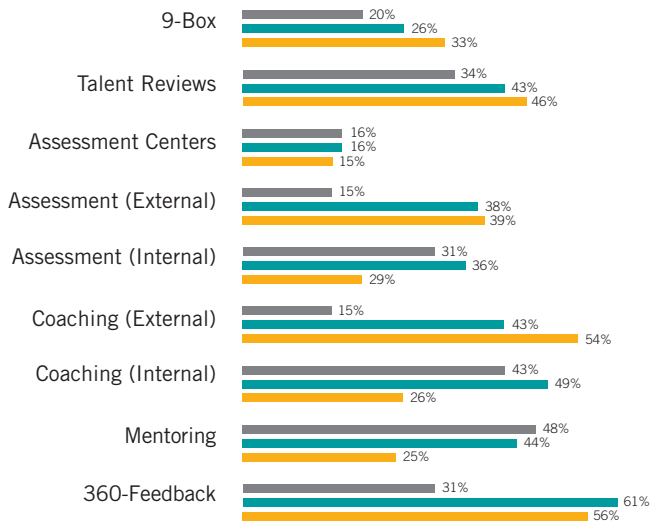
For each level of leadership, check the two factors that your company considers to be most important when making hiring or promotional decisions:

- First Line
- Mid Level
- Senior Leaders



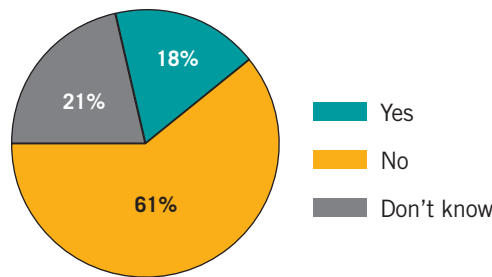
Q.

Does your organization currently use the following talent management practices?



Q.

Would you consider your process of evaluating people for the purpose of hiring/promotion to be "best in class"?



How effective are you at identifying which supervisors and managers will be future executives in your organization?

Q.

Do you have a ready pool of "up-and-comers" at each of the following levels?

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
First Level Leaders	7%	26%	50%	9%	7%
Mid Level Leaders	7%	15%	56%	17%	6%
Senior Leaders	7%	22%	52%	13%	6%

RECRUITMENT AND RETENTION: *the juggling act*

It is no surprise that organizations have disproportionately focused on retention rather than recruitment, and in a weak recovery, this is likely to continue. In fact, survey results point to recruitment as one of the lowest priorities compared to other talent management practices, such as succession planning and retention. During the downturn, many organizations became more focused on promoting from within and eliminating jobs versus sourcing talent externally.

Companies are now faced with a dilemma: how best to breathe life into practices once they have lain dormant. Interviewers may be rusty and the network might be weak. HR leaders indicated that they will need to *power up* practices and rebuild core capabilities that have been neglected over the last 24 months.

During the recession, organizations have struggled to find the best and brightest employees from a broader talent pool. On the upside, there is more talent to choose from. However, companies may be

required to use an even *higher bar* for sifting through and selecting leadership candidates so that they do not import the *bad along with the good*. Recruiters could now fall victim to pressures from hiring managers who need to fill critical vacant positions, which could result in hasty decisions. If companies act impulsively, they could erroneously make a bet that they were not previously willing to make.

What would senior leaders say to the following questions?

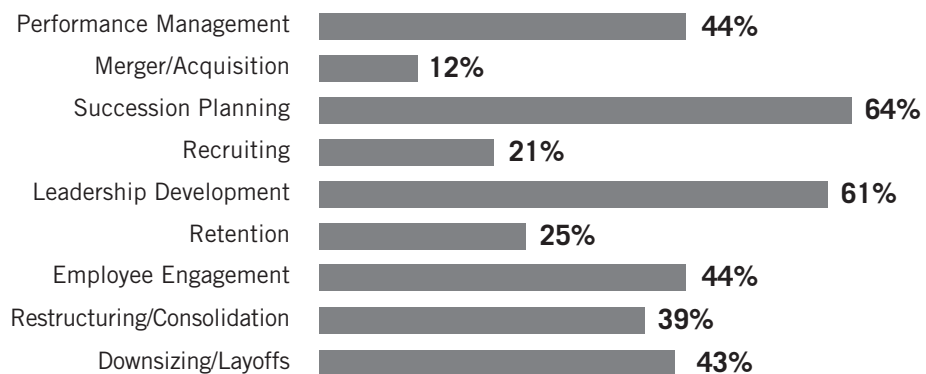
- What is our recruiting strategy if the health of the business stays the same, increases, or decreases?
- What is the worst “surprise” we could face in the next 6-12 months, and how could we prepare for that from a recruiting perspective?
- What are we doing to ensure that we have the talent we need at the mid- and senior levels?
- Have we begun looking for talent in new places? What might we be missing?

When asked which talent management practice has decreased in importance over the last 12 months, recruiting was by far mentioned most often by surveyed executives.



Q.

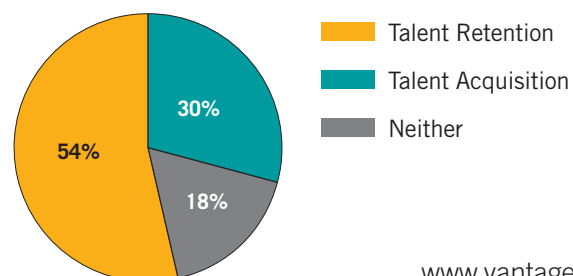
What are the key talent management challenges your organization is facing?



What has happened to the talent pool over the last 18-24 months?

Q.

Which are you currently more focused on?



LEADERSHIP DEVELOPMENT

programs have been cut despite the agreed need

Although leadership development programs are consistently viewed as one of the highest ROI practices, companies have been forced to cut back. This has further exacerbated the dilemma of poor engagement, low morale and retention for high potentials in particular. The inability to strike a balance between cost containment and a continued focus on employee retention and development could create a downward spiral. In other words, companies need to be careful not to *throw out the baby with the bathwater*.

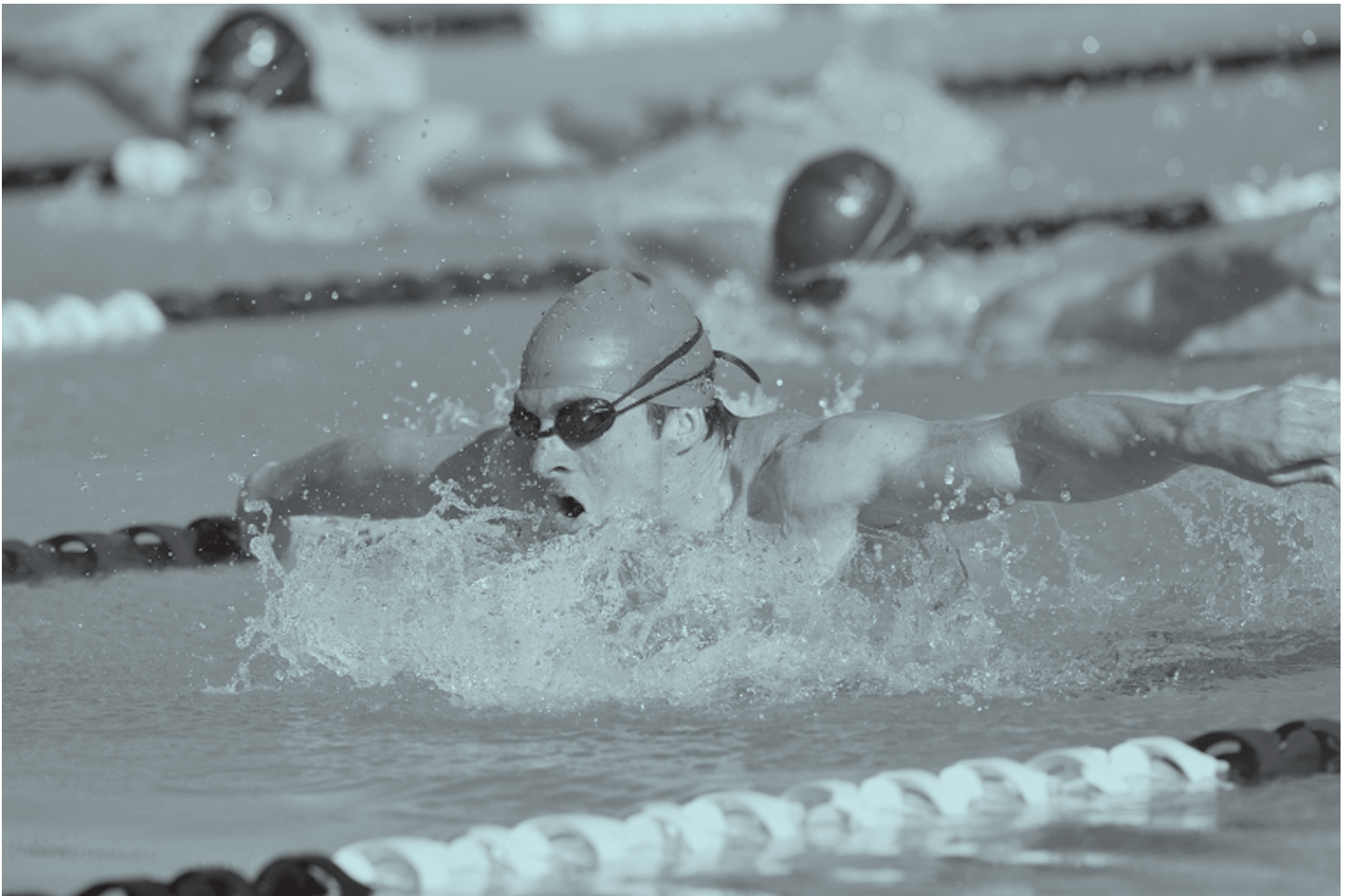
Now more than ever, shared accountability and commitment between line and HR leaders is being called for in order to create a smart, long-term plan for building, developing and managing talent. As one survey respondent highlighted, *“While we have many of the basics in place, we operate more from a place of compliance, rather than commitment to talent management; leaders have not yet assumed their full responsibility in*

this work, and instead rely on HR as a crutch (and sometimes scapegoat).”

Given limited resources and a challenging economy, at what level of leadership should you focus your efforts? Many of our operation-intensive clients have retained leadership academies for their front line leadership roles. This appears to be a strategy with broadening appeal, as is revitalizing your focus on pivotal roles at mid- and senior levels.

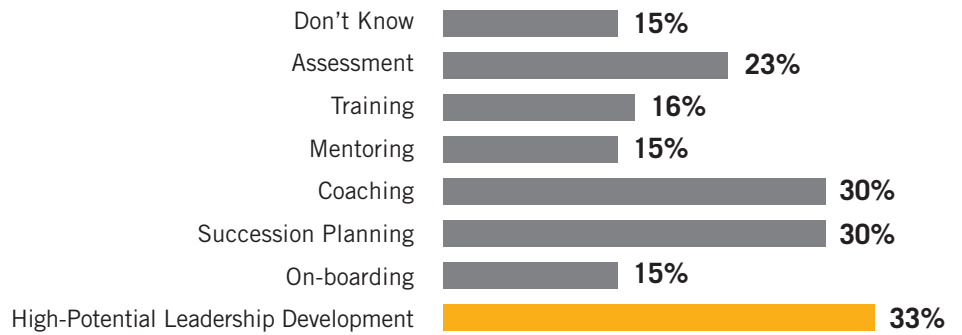
“While we have many of the basics in place, we operate more from a place of compliance, rather than commitment to talent management; leaders have not yet assumed their full responsibility in this work, and instead rely on HR as a crutch (and sometimes scapegoat).”

The most frequently mentioned casualty of the economic downturn was leadership development and training programs.



Q.

What talent management strategies have yielded the greatest ROI?



How much longer can you afford to suspend your leadership development programs at front, mid, and senior leadership levels?

CLOSING THOUGHTS



These results have certainly confirmed what many Human Resources leaders would have predicted: talent management practices took a tremendous hit during the recession. We also learned that as their companies emerge from the economic crisis, many HR professionals feel that they are gaining a more influential seat at the executive table. This may present a unique opportunity to be heard and to help revise people strategies in response to current realities.

And what about the impact of all the cuts and compromises made to talent management practices? Although few organizations escaped significant scaling back, most have begun to discover that it's no easy feat to revive dormant or abandoned people practices. We recommend a careful and honest assessment to determine the price paid for cutting back too far and the risks this may have unintentionally created.

But perhaps a more important insight from our research is this: companies that managed to sustain their commitment to a select number of high impact leadership practices by focusing on the promotion and retention of high potentials, identifying front line leaders who may become tomorrow's executives, and responding to changes in the global talent pool find themselves far more confident to succeed as they emerge from the challenges of the last couple of years. This is a lesson that all of us might well consider.

Snapshot of Survey Demographics

HR Professionals surveyed consisted of:

- Executives (36%), directors (15%), managers (16%), and other HR specialists (33%)
- Men (44%) and women (50%)

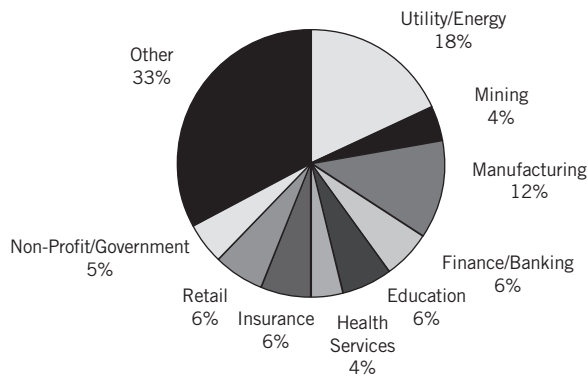
Organizations were both:

- Publicly (50%) and privately (44%) owned
- National (58%) and multinational (36%)

Note: 6% chose not to respond to these questions

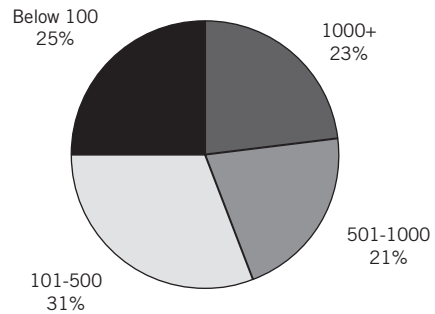
For additional demographics of interest, the following charts provide a breakdown of industry type, organizational size, and the employee's tenure within the organization.

Industry

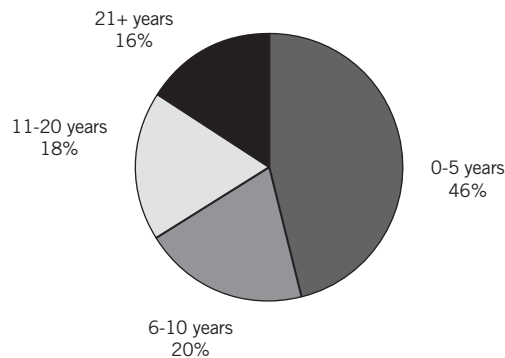


Organizational Size

(by Number of Employees)



Tenure of Employees



About Vantage

Vantage Leadership Consulting is a Chicago-based consulting firm that provides leadership solutions to today's talent management challenges. Through proven personnel practices, Vantage serves organizations by assessing, building and polishing leadership at all levels to ensure strategic success. Having collaborated with some of the world's most innovative and successful organizations, Vantage offers tailored recommendations that will propel any enterprise. To learn more about how Vantage helps clients identify, align and coach leaders to deliver exceptional results, go to <http://www.vantageleadership.com/>.



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