

HOW TO SPOT TALENT AND DEVELOP STRONG LEADERS

By Jannice Koors, Pearl Meyer

The HR team is a key player in building company leadership and culture.

It is well accepted that the senior management team has responsibility for shaping a company's business strategy. But what about leadership strategy and who has the ultimate responsibility for its development? While the business strategy defines what a company plans to do, the leadership strategy governs how a company will do it. Shouldn't a management team, with the support of its board of directors, be equally focused on both?

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That said, the senior HR team can, and should, play a vital role in bringing a leadership strategy to life.

First, let's assert that leadership strategy is more than the mere identification of a group of current and future executives. It is broader than a succession chart and encompasses the development and stewardship of a company's priorities and values — that is, its culture.

Second, let's acknowledge that recent high-profile examples of flawed culture (e.g., Wells Fargo, Uber) have elevated the issues of leadership and culture to a boardroom concern. Historically, boards have generally limited leadership oversight to the hiring and firing of the CEO and other C-suite executives. A company's talent management and corporate culture have largely been viewed as the purview of senior management, and boards are reluctant to be seen as micromanaging or second-guessing their executive team.

In fact, a 2016–2017 Pearl Meyer study of 1,400 public companies in the United States shows that nearly 20% have formally expanded the purview of their board compensation committees to incorporate some aspect of leadership and talent. This finding is consistent with Pearl Meyer's in-boardroom experience, where committee members are increasingly engaging in discussions with management that go beyond the traditional focus on the compensation and benefits packages for a handful of senior executives. There is more emphasis on pinpointing and

developing leaders one and two layers down the organization.

With that shift in priorities, there are clear implications for senior management and human resources:

Add Proactive Leadership Development to Succession Planning

While leading boards are now thinking beyond basic CEO succession planning, an effective management team is actively identifying strong potential successors for all key senior positions, including those who are “ready now” and those who could be “ready soon.” These assessments are likely to include an overview of each recognized employee's position history, most recent performance reviews and management's view on each individual's strengths and weaknesses. (For ready-now candidates, the overview should also include the succession plan for that person's replacement.)

Human resources has a key role to play in helping the management team create plans to address any individual developmental needs, such as rotational assignments, internal and external coaching and more exposure to the C-suite and board. Likewise, human resources can facilitate a high-level, comprehensive review of the overall team composition and dynamics.

This complex process may be rooted in a skills matrix, which first identifies the combination of experience and expertise necessary to successfully deliver the company's business strategy. Further refinement

of the matrix may include some of the following questions:

- Do we have any skills gaps in the current leadership team?
- Have recent or anticipated changes in our business strategy changed the skills/expertise required?
- Is the team appropriately diverse (gender, age, ethnicity, geography, tenure)?
- Is it reflective of the employee population and/or the company's customer base?

■ Has there been strategic consideration of which positions are best suited to internal versus external candidates? The discussion of ready-now candidates also needs to touch on retention risks and mitigation strategies. After all, if your organization believes someone may be ready for a promotion, chances are good that at least one competitor agrees. Some level of transparency around the company's leadership development process

may help in this regard, as will a careful alignment between leadership development and total rewards, including annual and long-term incentive compensation.

Know Your Culture at Its Core

In the same way that boards have historically limited their leadership development focus to CEO succession and pay programs for senior executives, their corporate culture concerns have tended to focus on the “tone at

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the top.” And yet, it’s with increasing frequency that we see companies dealing with scandals that result from actions taken by employees much lower in the corporate hierarchy. Certainly, a tone at the top can create a corporate culture that allows — or encourages — employees to act in ways that maximize short-term results but are contrary to the long-term health of the company. On the other hand, it is possible that there is a disconnect between the company’s tone at the top and the day-to-day culture at the core of the organization. A company’s leaders need to identify ways to assess culture from top to bottom.

It’s likely through a combination of formal and informal mechanisms that a senior leadership team can gain the clearest view of the organization’s culture at all levels. First, senior leaders should be able to articulate their vision for the company — its mission, values and common goals. Next, they can determine what leadership qualities are present and desired in the team, such as tolerance for risk, flexibility or attitudes toward mentoring. This may be done through a matrix similar to the skills assessment. Finally, it is critical that senior management walk the talk. Not only do those leaders’ personal actions need to align with the espoused culture, but they need to be willing to take action when cultural rules are broken. HR guidance can be invaluable in establishing expectations, and setting policies and procedures to help ensure that

transgressions are addressed promptly, fairly and appropriately.

In looking farther down the hierarchy, a leadership team can plan for opportunities to spend time formally and informally with individual teams and make a concerted effort to spend quality time at sites beyond headquarters, providing an opportunity to interact with and observe employees at various levels in the organization. Other activities — for example attending trade shows or user conferences with an eye toward understanding internal culture and external perception of the company — offer management a deeper understanding of employee behaviors, as well as the company’s competitive positioning and reputation in the industry. Sources such as Glassdoor and customer chat sites can also provide clues to the real and unscripted views of the workforce.

While it is just one facet of a corporate culture, understanding the role and perception of compensation should not be overlooked. In fact, pay is a powerful tool that boards and senior management can use to reinforce and communicate company priorities, values and culture.

In the current business climate, issues of pay equality and fairness will continue to increase in importance regardless of what happens with regulatory mandates and reporting requirements. Even absent the pending CEO pay ratio disclosure, there will continue to be public scrutiny over the levels of CEO pay and the disparity of CEO pay levels

How Human Resources Can Take the Lead in Leadership Development

1. Continually assess top talent to identify strong potential successors for senior positions
2. Identify any gaps among high-potentials in experience or expertise
3. Help management teams create targeted plans for individual growth and development
4. Conduct a high-level review of the entire team’s skills and dynamics as a functional unit
5. Remember to think about retention risks and strategies to retain top talent.

Your Discovery Channels

1. Know what leadership qualities are present in the current team and what qualities are desired
2. Consider whether leaders’ actions align with the cultural mission
3. Have a process in place and take decisive action when cultural boundaries are crossed
4. Help senior leadership plan for spending quality time – formal and informal – with individual teams
5. Explore the company’s culture from the outside in. Trade shows, conferences, customer feedback, and web postings all offer clues to the *real* culture at the core of an organization.

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And increases compared to rank-and-file U.S. workers. On the gender equality front, there are several examples of prominent companies in the United States, including Amazon, Apple and Facebook, voluntarily disclosing gender pay ratios. Human resources can help senior management consider the implications of these and other pay issues, including the possible unintended consequences of incentive plans, and devise a communications strategy that helps illustrate how compensation is structured to support the desired culture of the company.

Human resources has a strategic opportunity to take the lead role in helping uncover this deeper core culture. This is where the crucial nature of many HR functions, particularly well-constructed employee engagement surveys, is evident and can help inform valuable assessments of culture.

Actively Promote Your HR Philosophy

The generally stated primary goal of leadership development, compensation and benefits programs is to attract, retain and motivate both executives and the workforce at large. Companies obviously need programs that are competitive. But shifting from a mindset of “attract and retain” to one of “engage and align” can be one method of proactively focusing on promoting the right corporate culture. A shift in positioning can impact how programs are designed and communicated to employees and the marketplace.

Human resources plays a central role in determining the talent profile that best suits the company’s business strategy and its culture, as well as the leadership and skills development opportunities that can help build that talent from within. An ongoing and open dialogue, and continual assessment of success, will help align the tone at the top with the culture at the core. Taking this deeper view of the importance of the internal climate in combination with thoughtful talent development enables senior leaders to directly influence a company’s differentiation in the marketplace and its ability to deliver on its business strategy. 

Jannice Koors is managing director at Pearl Meyer in Chicago. Contact her at jannice.koors@pearlmeier.com.

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